STATE OF NEBRASKA

STATEWIDE SINGLE AUDIT

Year Ended June 30, 2020

Issued on April 5, 2021

STATE OF NEBRASKA

Single Audit Report

Year Ended June 30, 2020

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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, 2020

Federal Agency/Program Title	State Agency	CFDA or Grant #		2020 Expenditures	2020 Subrecipients
Agriculture, U.S. Department of					
Plant and Animal Disease, Pest Control, and Animal Care	Agriculture, Department of	10.025	$	863,810	-
Wetlands Reserve Program	Game and Parks Commission	10.072		30,667	-
Specialty Crop Block Grant Program - Farm Bill	Agriculture, Department of	10.170		574,535	490,612
Rural Business Development Grant	Indian Affairs, Commission on	10.351		9,532	-
State Mediation Grants	Agriculture, Department of	10.435		116,390	-
Meat and Poultry Inspection	Agriculture, Department of	10.477		18,000	-
Food Safety Cooperative Agreements	Agriculture, Department of	10.479		81,131	-
SNAP Cluster:					
Supplemental Nutrition Assistance Program	Department of Health and Human Services	10.551		213,558,418	-
COVID-19 Supplemental Nutrition Assistance Program	Department of Health and Human Services	10.551		35,446,063	-
Total Supplemental Nutrition Assistance Program				249,004,481	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Department of Health and Human Services	10.561		20,332,661	2,007,507
Total SNAP Cluster				269,337,142	2,007,507
Child Nutrition Cluster:					
School Breakfast Program	Education, Department of	10.553		15,920,798	15,920,798
COVID19 - School Breakfast Program	Education, Department of	10.553		615,862	615,862
Total School Breakfast Program				16,536,660	16,536,660
National School Lunch Program	Education, Department of	10.555		59,545,008	59,545,008
COVID19 - National School Lunch Program	Education, Department of	10.555		2,544,484	2,544,484
National School Lunch Program	Department of Health and Human Services	10.555		14,016,176	-
Total National School Lunch Program				76,105,668	62,089,492
Special Milk Program for Children	Education, Department of	10.556		46,616	46,616
COVID19 - Special Milk Program for Children	Education, Department of	10.556		1,953	1,953
Total Special Milk Program for Children				48,569	48,569
Summer Food Service Program for Children	Education, Department of	10.559		12,493,962	12,373,422
COVID19 - Summer Food Service Program for Children	Education, Department of	10.559		10,782,086	10,782,086
Summer Food Service Program for Children	Department of Health and Human Services	10.559		5,125	-
Total Summer Food Service Program for Children				23,281,173	23,155,508
Total Child Nutrition Cluster				115,972,070	101,830,229
Special Supplemental Nutrition Program for Women, Infants, and Children	Department of Health and Human Services	10.557		24,834,362	8,116,012
Child and Adult Care Food Program	Education, Department of	10.558		25,316,517	25,083,607
COVID19 - Child and Adult Care Food Program	Education, Department of	10.558		1,699,542	1,699,542
Child and Adult Care Food Program	Department of Health and Human Services	10.558		125,017	-
Total Child and Adult Care Food Program				27,141,076	26,783,149

^ - Amounts taken from financial status reports
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Federal Agency/Program Title	State Agency	CFDA or Grant #		2020 Expenditures	2020 Subrecipients
Agriculture, U.S. Department of (Continued)					
State Administrative Expenses for Child Nutrition	Education, Department of	10.560		1,853,159	-
State Administrative Expenses for Child Nutrition	Department of Health and Human Services	10.560		246,466	-
Total State Administrative Expenses for Child Nutrition				2,099,625	-
Food Distribution Cluster:					
Commodity Supplemental Food Program	Department of Health and Human Services	10.565		2,734,018	615,191
Emergency Food Assistance Program (Administrative Costs)	Department of Health and Human Services	10.568		738,128	371,351
Emergency Food Assistance Program (Food Commodities)	Department of Health and Human Services	10.569		8,066,495	-
Total Food Distribution Cluster				11,538,641	986,542
WIC Farmers' Market Nutrition Program (FMNP)	Agriculture, Department of	10.572		41,044	-
Team Nutrition Grants	Education, Department of	10.574		114,282	-
Farm to School Grant Program	Education, Department of	10.575		5,305	-
Senior Farmers Market Nutrition Program	Agriculture, Department of	10.576		208,075	-
WIC Grants To States (WGS)	Department of Health and Human Services	10.578		61,104	-
Child Nutrition Discretionary Grants Limited Availability	Education, Department of	10.579		129,430	129,430
Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants	Department of Health and Human Services	10.580		41,385	-
Fresh Fruit and Vegetable Program	Education, Department of	10.582		1,662,661	1,627,107
Direct Certification Performance	Education, Department of	10.589		12,995	-
Cooperative Forestry Assistance	Game and Parks Commission	10.664		26,036	-
Forest Service Schools and Roads Cluster:					
Schools and Roads - Grants to Counties	Education, Department of	10.666		140,180	140,180
AG Conservation Easement PGM	Game and Parks Commission	10.931		2,876	-
Regional Conservation Partnership Program	Game and Parks Commission	10.932		6,666	-
Nebraska Rural Rehabilitation Program	Agriculture, Department of	10.U01		176,063	-
Emerging Markets Program	Agriculture, Department of	10.603		27,918	-
Total U.S. Department of Agriculture			$	455,273,001	142,110,768
Commerce, U.S. Department of					
State and Local Implementation Grant Program	Administrative Services	11.549	$	(884)	-
Total U.S. Department of Commerce			$	(884)	-
Corporation for National and Community Service					
State Commissions	Department of Health and Human Services	94.003	$	241,967	-
AmeriCorps	Department of Health and Human Services	94.006		1,208,010	1,208,010
Training and Technical Assistance	Department of Health and Human Services	94.009		277,701	646
Total Corporation for National and Community Service			$	1,727,678	1,208,656

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Federal Agency/Program Title	State Agency	CFDA or Grant #		2020 Expenditures	2020 Subrecipients
Defense, U.S. Department of					
Payments to States in Lieu of Real Estate Taxes	Education, Department of	12.112	$	227,197	227,197
State Memorandum of Agreement Program for the Reimbursement of Technical Services	Environment and Energy, Department of	12.113		100,988	-
Military Construction, National Guard	Military Department	12.400		2,556,846	-
National Guard Military Operations and Maintenance (O&M) Projects	Military Department	12.401		27,806,227	-
Total U.S. Department of Defense			$	30,691,258	227,197
Education, U.S. Department of					
Adult Education - Basic Grants to States	Education, Department of	84.002	$	2,423,255	2,159,435
Title I Grants to Local Educational Agencies	Education, Department of	84.010		65,664,515	64,859,730
Migrant Education_State Grant Program	Education, Department of	84.011		5,365,419	5,049,060
Title I State Agency Program for Neglected and Delinquent Children and Youth	Education, Department of	84.013		407,417	402,428
Special Education Cluster (IDEA):					
Special Education_Grants to States	Education, Department of	84.027		76,609,589	72,812,761
Special Education_Preschool Grants	Education, Department of	84.173		1,802,856	1,519,965
Total Special Education Cluster (IDEA)				78,412,445	74,332,726
Career and Technical Education -- Basic Grants to States	Education, Department of	84.048		6,310,812	5,649,845
Career and Technical Education -- National Programs	Education, Department of	84.051		98,265	-
Rehabilitation Services_Vocational Rehabilitation Grants to States	Blind and Visually Impaired Commission	84.126		2,825,014	-
Rehabilitation Services_Vocational Rehabilitation Grants to States	Education, Department of	84.126		10,666,835	-
Total Rehabilitation Services_Vocational Rehabilitation Grants to States				13,491,849	-
Migrant Education_Coordination Program	Education, Department of	84.144		72,675	69,489
Rehabilitation Services_Client Assistance Program	Education, Department of	84.161		153,650	-
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	Blind and Visually Impaired Commission	84.177		261,394	-
Special Education-Grants for Infants and Families	Education, Department of	84.181		2,656,423	1,992,789
Safe and Drug-Free Schools and Communities_National Programs	Education, Department of	84.184		365,409	-
Supported Employment Services for Individuals with the Most Significant Disabilities	Blind and Visually Impaired Commission	84.187		45,676	-
Supported Employment Services for Individuals with the Most Significant Disabilities	Education, Department of	84.187		212,000	-
Total Supported Employment Services for Individuals with the Most Significant Disabilities				257,676	-
Education for Homeless Children and Youth	Education, Department of	84.196		332,305	280,638
Rehabilitation Services Demonstration and Training Programs	Education, Department of	84.235		704,256	-
Twenty-First Century Community Learning Centers	Education, Department of	84.287		6,123,932	5,750,290

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Education, U.S. Department of (Continued)					
Statewide Family Engagement Centers	Education, Department of	84.310		4,179	-
Special Education - State Personnel Development	Education, Department of	84.323		810,517	134,642
Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	Education, Department of	84.326		60,032	35,858
Rural Education	Education, Department of	84.358		73,238	69,869
English Language Acquisition State Grants	Education, Department of	84.365		3,100,228	2,908,622
Supporting Effective Instruction State Grant	Education, Department of	84.367		9,439,557	8,876,443
Competitive Grants for State Assessments	Education, Department of	84.368		909,522	-
Grants for State Assessments and Related Activities	Education, Department of	84.369		2,610,859	-
Statewide Data Systems	Education, Department of	84.372		31,662	-
School Improvement Grants	Education, Department of	84.377		1,638,653	1,587,167
Student Support and Academic Enrichment Program	Education, Department of	84.424		4,904,991	4,676,757
Hurricane Education Recovery	Education, Department of	84.938		8,515	8,515
Total U.S. Department of Education			$	206,693,650	178,844,303
U.S. Election Assistance Commission					
2018 HAVA Election Security Grants	Secretary of State	90.404	$	1,406,340	-
COVID19 - 2018 HAVA Election Security Grant	Secretary of State	90.404		697,217	-
Total U.S. Election Assistance Commission			$	2,103,557	-
Energy, U.S. Department of					
State Energy Program	Environment and Energy, Department of	81.041	$	488,001	-
Weatherization Assistance for Low-Income Persons	Environment and Energy, Department of	81.042		2,354,309	2,042,925
State Energy Program Special Projects	Environment and Energy, Department of	81.119		118,744	61,419
State Heating Oil and Propane Program	Environment and Energy, Department of	81.138		7,713	-
Total U.S. Department of Energy			$	2,968,767	2,104,344
Environmental Protection Agency, U.S.					
State Indoor Radon Grants	Department of Health and Human Services	66.032	$	192,565	20,243
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	Environment and Energy, Department of	66.034		368,002	-
State Clean Diesel Grant Program	Environment and Energy, Department of	66.040		411,295	-
Multipurpose Grant to States and Tribe	Oil and Gas Commission	66.204		39,816	-
Multipurpose Grant to States and Tribe	Department of Health and Human Services	66.204		24,080	-
Total Multipurpose Grant to States and Tribe				63,896	-
Water Pollution Control State, Interstate, and Tribal Program Support	Environment and Energy, Department of	66.419		283,261	-

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Environmental Protection Agency, U.S. (Continued)					
State Public Water System Supervision	Department of Health and Human Services	66.432		798,021	-
State Underground Water Source Protection	Oil and Gas Commission	66.433		52,150	-
Lead Testing in Schools and Im	Environment and Energy, Department of	66.444		3,206	-
Water Quality Management Planning	Environment and Energy, Department of	66.454		95,963	-
Clean Water State Revolving Fund Cluster:					
Capitalization Grants for Clean Water State Revolving Funds	Environment and Energy, Department of	66.458		7,997,541	7,859,000
Nonpoint Source Implementation Grants	Environment and Energy, Department of	66.460		1,886,182	-
Regional Wetland Program Development Grants	Game and Parks Commission	66.461		84,170	-
Drinking Water State Revolving Fund Cluster:					
Capitalization Grants for Drinking Water State Revolving Funds	Environment and Energy, Department of	66.468		12,497,443	10,957,667
Underground Storage Tank Prevention, Detection and Compliance Program	Fire Marshal	66.804		474,760	-
Performance Partnership Grants	Agriculture, Department of	66.605		604,363	-
Performance Partnership Grants	Environment and Energy, Department of	66.605		4,244,314	-
Total Performance Partnership Grants				4,848,677	-
Environmental Information Exchange Network Grant Program and Related Assistance	Environment and Energy, Department of	66.608		39,754	-
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	Department of Health and Human Services	66.707		241,663	-
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	Environment and Energy, Department of	66.802		573,408	-
Leaking Underground Storage Tank Trust Fund Corrective Action Program Recovery	Environment and Energy, Department of	66.805		413,014	-
State and Tribal Response Program Grants	Environment and Energy, Department of	66.817		509,119	-
Total U.S. Environmental Protection Agency			$	31,834,090	18,836,910
Equal Employment Opportunity Commission, U.S.					
Employment Discrimination_State and Local Fair Employment Practices Agency Contracts	Equal Opportunity Commission	30.002	$	546,756	-
Total U.S. Equal Employment Opportunity Commission			$	546,756	-
Federal Communications Commission					
FCC - Certification	Education, Department of	32.U01	$	32,114	-
Total Federal Communications Commission			$	32,114	-
General Services Administration					
Donation of Federal Surplus Personal Property	Corrections, Department of	39.003	$	372,581	-
Total General Services Administration			$	372,581	-

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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	$	18,355	-
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		81,604	81,604
Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	Department of Health and Human Services	93.043		67,987	67,141
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		2,335,805	1,822,369
COVID19 - Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	Department of Health and Human Services	93.044		16,187	16,187
Total Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers				2,351,992	1,838,556
Special Programs for the Aging_Title III, Part C_Nutrition Services	Department of Health and Human Services	93.045		3,913,941	3,825,185
COVID19 - Special Programs for the Aging_Title III, Part C_Nutrition Services	Department of Health and Human Services	93.045		522,954	507,343
Total Special Programs for the Aging_Title III, Part C_Nutrition Services				4,436,895	4,332,528
Nutrition Services Incentive Program	Department of Health and Human Services	93.053		861,701	861,701
Total Aging Cluster				7,650,588	7,032,785
Special Programs for the Aging_Title IV_and Title II_Discretionary Projects	Insurance, Department of	93.048		250,100	123,239
Special Programs for the Aging_Title IV_and Title II_Discretionary Projects	Department of Health and Human Services	93.048		88,623	88,623
Total Special Programs for the Aging_Title IV_and Title II_Discretionary Projects				338,723	211,862
National Family Caregiver Support, Title III, Part E	Department of Health and Human Services	93.052		964,928	938,377
COVID19 - National Family Caregiver Support, Title III, Part E	Department of Health and Human Services	93.052		22,042	22,042
Total National Family Caregiver Support, Title III, Part E				986,970	960,419
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		4,078,319	3,410,299
National Bioterrorism Hospital Preparedness Program	Department of Health and Human Services	93.889		938,209	753,664
Total Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Cluster				5,016,528	4,163,963
Medicare Enrollment Assistance Program	Insurance, Department of	93.071		171,782	73,369
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	Education, Department of	93.079		84,373	40,000
Guardianship Assistance	Department of Health and Human Services	93.090	^	258,672	-
Affordable Care Act (ACA) Personal Responsibility Education Program	Department of Health and Human Services	93.092		306,061	248,469
Well-Integrated Screening & Evaluation for Women Across the Nation	Department of Health and Human Services	93.094		(1,850)	-
Food and Drug Administration_Research	Agriculture, Department of	93.103		760,698	-

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Health and Human Services, U.S. Department of (Continued)				
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	Department of Health and Human Services	93.104	2,233,794	2,105,965
Maternal and Child Health Federal Consolidated Programs	Department of Health and Human Services	93.110	509,108	311,144
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	Department of Health and Human Services	93.116	202,188	4,146
Emergency Medical Services for Children	Department of Health and Human Services	93.127	108,680	-
Injury Prevention and Control Research and State and Community Based Programs	Department of Health and Human Services	93.136	2,052,430	438,426
Projects for Assistance in Transition from Homelessness (PATH)	Department of Health and Human Services	93.150	295,261	289,175
Grants to State for Loan Repayment Program	Department of Health and Human Services	93.165	461,594	-
Childhood Lead Poisoning Prevention Project	Department of Health and Human Services	93.197	454,147	163,424
Family Planning_Services	Department of Health and Human Services	93.217	(3,526)	-
Traumatic Brain Injury State Demonstration Grant Program	Education, Department of	93.234	319,045	-
Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program	Department of Health and Human Services	93.235	271,187	172,907
Grants to States to Support Oral Health Workforce Activities	Department of Health and Human Services	93.236	61,966	30,430
State Rural Hospital Flexibility Program	Department of Health and Human Services	93.241	935,126	523,079
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	Education, Department of	93.243	1,647,207	-
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	Department of Health and Human Services	93.243	2,146,080	1,815,913
Total Substance Abuse and Mental Health Services_Projects of Regional and National Significance			3,793,287	1,815,913
Early Hearing Detection and Intervention	Department of Health and Human Services	93.251	277,446	85,923
Occupational Safety and Health Program	Department of Health and Human Services	93.262	113,186	1,414
Immunization Cooperative Agreements	Department of Health and Human Services	93.268	23,859,228	1,012,293
Viral Hepatitis Prevention and Control	Department of Health and Human Services	93.270	135,692	17,893
Drug Abuse and Addiction Research Programs	Department of Health and Human Services	93.279	93,743	-
Centers for Disease Control and Prevention_Investigations and Technical Assistance	Department of Health and Human Services	93.283	156,146	-
State Partnership Grant Program to Improve Minority Health	Department of Health and Human Services	93.296	117,717	50,942
Small Rural Hospital Improvement Grant Program	Department of Health and Human Services	93.301	1,030,471	1,030,471
National State Based Tobacco Control Programs	Department of Health and Human Services	93.305	821,637	78,900
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	Department of Health and Human Services	93.314	118,639	-
Epidemiology & Laboratory Capacity for Infectious Diseases	Department of Health and Human Services	93.323	2,895,002	723,234
COVID19 - Epidemiology & Laboratory Capacity for Infectious Diseases	Department of Health and Human Services	93.323	74,900	-
Total Epidemiology & Laboratory Capacity for Infectious Diseases			2,969,902	723,234
State Health Ins Asst Program	Insurance, Department of	93.324	419,983	175,849
Behavioral Risk Factor Surveillance System	Department of Health and Human Services	93.336	391,582	-

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Health and Human Services, U.S. Department of (Continued)					
Public Health Crisis Response Awards	Department of Health and Human Services	93.354		1,117,424	239,413
COVID19 - Public Health Crisis Response Awards	Department of Health and Human Services	93.354		278,124	-
Total Public Health Crisis Response Awards				1,395,548	239,413
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	Department of Health and Human Services	93.426		660,756	171,483
ESSA/Preschool Development Grants	Department of Health and Human Services	93.434		2,702,446	2,690,940
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		259,257	-
Well-Integrated Screening and Evaluation for Women Across the Nation (Wisewoman)	Department of Health and Human Services	93.436		498,200	92,413
Food Safety and Security Monitoring Project	Agriculture, Department of	93.448		311,559	-
ACL Assistive Technology	Education, Department of	93.464		296,429	-
Pregnancy Assistance Fund Program	Department of Health and Human Services	93.500		910,768	898,343
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		(41)	-
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	Department of Health and Human Services	93.539		(5,471)	-
National Health Service Corps	Department of Health and Human Services	93.547		138,395	-
Promoting Safe and Stable Families	Department of Health and Human Services	93.556		1,191,796	722,688
TANF Cluster:					
Temporary Assistance for Needy Families	Department of Health and Human Services	93.558		41,345,454	9,729,424
Child Support Enforcement	Department of Health and Human Services	93.563	^	17,160,091	9,393,338
Refugee and Entrant Assistance_State Administered Programs	Department of Health and Human Services	93.566	^	2,716,250	1,708,616
Low-Income Home Energy Assistance	Department of Health and Human Services	93.568		28,517,573	-
Low-Income Home Energy Assistance	Environment and Energy, Department of	93.568		1,974,759	1,795,194
Total Low-Income Home Energy Assistance				30,492,332	1,795,194
Community Services Block Grant	Department of Health and Human Services	93.569		4,734,428	4,554,076
CCDF Cluster:					
Child Care and Development Block Grant	Department of Health and Human Services	93.575		32,524,349	6,091,941
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Department of Health and Human Services	93.596		20,351,534	-
Total CCDF Cluster				52,875,883	6,091,941
Refugee and Entrant Assistance_Discretionary Grants	Department of Health and Human Services	93.576		25,584	25,584
State Court Improvement Program	Supreme Court, Nebraska	93.586		337,239	-

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Health and Human Services, U.S. Department of (Continued)					
Grants to States for Access and Visitation Programs	Department of Health and Human Services	93.597		105,895	105,895
Chafee Education and Training Vouchers Program (ETV)	Department of Health and Human Services	93.599		424,713	424,713
Head Start	Education, Department of	93.600		121,816	-
Adoption and Legal Guardianship Incentive Payments	Department of Health and Human Services	93.603		406,188	160,034
Developmental Disabilities Basic Support and Advocacy Grants	Department of Health and Human Services	93.630		463,563	169,785
Children's Justice Grants to States	Department of Health and Human Services	93.643		76,504	75,291
Stephanie Tubbs Jones Child Welfare Service Program	Department of Health and Human Services	93.645		2,845,521	-
Foster Care_Title IV-E	Department of Health and Human Services	93.658	^	17,560,970	2,123,826
COVID 19-Foster Care_Title IV-E	Department of Health and Human Services	93.658	^	180,982	-
Total Foster Care Title IV-E				17,741,952	2,123,826
Adoption Assistance	Department of Health and Human Services	93.659	^	23,817,975	-
COVID 19-Adoption Assistance	Department of Health and Human Services	93.659	^	1,259,510	-
Total Adoption Assistance				25,077,485	-
Social Services Block Grant	Department of Health and Human Services	93.667		12,674,506	357,509
Child Abuse and Neglect State Grants	Department of Health and Human Services	93.669		264,262	256,833
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	Department of Health and Human Services	93.671		1,141,179	1,137,839
John H. Chafee Foster Care Program for Successful Transition to Adulthood	Department of Health and Human Services	93.674		895,083	735,636
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		58,854	29,221
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		120,863	-
Preventive Health & Health Services Block Grant Funded Solely with Prevention & Public Health Funds (PPHF)	Department of Health and Human Services	93.758		(39,720)	-
Children's Health Insurance Program	Department of Health and Human Services	93.767	^	79,033,503	-
COVID19 - Children's Health Insurance Program	Department of Health and Human Services	93.767	^	2,140,562	-
Total Children's Health Insurance Program				81,174,065	-
Medicaid Cluster:					
State Medicaid Fraud Control Units	Attorney General	93.775		911,957	-
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	Department of Health and Human Services	93.777	^	3,746,946	-
Medical Assistance Program	Department of Health and Human Services	93.778	^	1,305,900,864	7,947,876
COVID19 - Medical Assistance Program	Department of Health and Human Services	93.778	^	71,150,105	161,236
Total Medical Assistance Program				1,377,050,969	8,109,112
Total Medicaid Cluster				1,381,709,872	8,109,112

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

Federal Agency/Program Title	State Agency	CFDA or Grant #		2020 Expenditures	2020 Subrecipients
Health and Human Services, U.S. Department of (Continued)					
Opioid STR	Department of Health and Human Services	93.788		3,130,707	2,864,898
Money Follows the Person Rebalancing Demonstration	Department of Health and Human Services	93.791		662,635	-
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	Department of Health and Human Services	93.817		211,526	211,526
Maternal, Infant, and Early Childhood Home Visiting Cluster:					
Maternal, Infant, & Early Childhood Home Visiting Grant	Department of Health and Human Services	93.870		1,370,053	1,163,618
The Health Insurance Enforcement and Consumer Protection Grants Program	Insurance, Department of	93.881		575,639	-
Cancer Prevention & Control Programs for State, Territorial & Tribal Organization	Department of Health and Human Services	93.898		3,027,545	906,104
Grants to States for Operation of Offices of Rural Health	Department of Health and Human Services	93.913		160,721	67,908
HIV Care Formula Grants	Department of Health and Human Services	93.917		(68,895)	-
HIV Prevention Activities_Health Department Based	Department of Health and Human Services	93.940		975,712	355,426
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	Department of Health and Human Services	93.944		(4,597)	-
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	Department of Health and Human Services	93.946		145,404	-
Block Grants for Community Mental Health Services	Department of Health and Human Services	93.958		2,854,440	2,715,698
Block Grants for Prevention and Treatment of Substance Abuse	Department of Health and Human Services	93.959		7,849,787	7,604,910
Sexually Transmitted Diseases (STD) Prevention and Control Grants	Department of Health and Human Services	93.977		482,387	134,247
Improving State Health and Academic Achievement	Education, Department of	93.981		355,800	8,721
Mental Health Disaster Assistance and Emergency Mental Health	Department of Health and Human Services	93.982		1,193,456	1,193,456
Preventive Health and Health Services Block Grant	Department of Health and Human Services	93.991		2,464,677	771,122
Maternal and Child Health Services Block Grant to the States	Department of Health and Human Services	93.994		4,078,495	1,738,641
Medicated Feed Inspection Contract	Agriculture, Department of	93.U01		82,254	-
Food Inspection Contract	Agriculture, Department of	93.U03		61,092	-
Total U.S. Department of Health and Human Services			$	1,770,858,492	93,446,562
Homeland Security, U.S. Department of					
State Domestic Preparedness Eq	Military Department	97.004	$	7,600	-
Urban Areas Security Init (Non-Profit Security Program)	Military Department	97.008		76,776	76,776
Homeland Security Grant Program	Military Department	97.067		3,786,718	2,441,919
Boating Safety Financial Assistance	Game and Parks Commission	97.012		594,380	-
Community Assistance Program State Support Services Element (CAP-SSSE)	Natural Resources, Department of	97.023		168,558	-
Flood Mitigation Assistance	Natural Resources, Department of	97.029		197,809	-
Crisis Counseling	Military Department	97.032		601,100	601,100
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Military Department	97.036		31,293,629	30,569,810
Hazard Mitigation Grant	Military Department	97.039		1,216,745	1,216,745
National Dam Safety Program	Natural Resources, Department of	97.041		252,404	-

^ - Amounts taken from financial status reports
See accompanying 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, 2020

Federal Agency/Program Title	State Agency	CFDA or Grant #		2020 Expenditures	2020 Subrecipients
Homeland Security, U.S. Department of (Continued)					
Emergency Management Performance Grants	Military Department	97.042		4,008,065	2,669,006
Cooperating Technical Partners	Natural Resources, Department of	97.045		1,061,608	-
Pre-Disaster Mitigation	Military Department	97.047		325,346	325,346
Financial Assistance for Countering Violent Extremeism	Military Department	97.132		93,286	33,652
Total U.S. Department of Homeland Security			$	43,684,024	37,934,354
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	$	13,021,603	12,434,496
Emergency Solutions Grant Program	Department of Health and Human Services	14.231		851,984	816,020
Home Investment Partnerships Program	Economic Development, Department of	14.239		4,167,608	3,708,305
Housing Opportunities for Persons with AIDS	Department of Health and Human Services	14.241		454,971	427,597
Housing Trust Fund	Economic Development, Department of	14.275		668,851	382,966
Fair Housing Assistance Program_State and Local	Equal Opportunity Commission	14.401		209,088	-
Total U.S. Department of Housing & Urban Development			$	19,374,105	17,769,384
Institute of Museum and Library Services					
Grants to States	Library Commission	45.310	$	1,383,175	-
National Leadership Grants	Library Commission	45.312		161,121	-
Total Institute of Museum and Library Services			$	1,544,296	-
Interior, U.S. Department of					
Cultural and Paleontological Resource Management	Education, Department of	15.224	$	1,037	1,037
Cultural Resources Management	Historical Society	15.511		43,040	-
Reclamation States Emergency Drought Relief	Natural Resources, Department of	15.514		139,634	-
Fish and Wildlife Conservation Act	Game and Parks Commission	15.517		56,651	-
Recreation Resources Management	Game and Parks Commission	15.524		181,000	-
Fish and Wildlife Cluster:					
Sport Fish Restoration	Game and Parks Commission	15.605		3,887,476	-
Wildlife Restoration and Basic Hunter Education	Game and Parks Commission	15.611		12,907,238	-
Enhanced Hunter Education and Safety	Game and Parks Commission	15.626		45,829	-
Total Fish and Wildlife Cluster				16,840,543	-
Cooperative Endangered Species Conservation Fund	Game and Parks Commission	15.615		454,763	-
State Wildlife Grants	Game and Parks Commission	15.634		1,140,661	-
Migratory Bird Joint Ventures	Game and Parks Commission	15.637		45,635	-
Endangered Species Conservation – Recovery Implementation Funds	Game and Parks Commission	15.657		6,843	-

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STATE OF NEBRASKA
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Federal Agency/Program Title	State Agency	CFDA or Grant #		2020 Expenditures	2020 Subrecipients
Interior, U.S. Department of (Continued)					
Cooperative Landscape Conservation	Game and Parks Commission	15.669		38,654	-
Historic Preservation Fund Grants-In-Aid	Historical Society	15.904		1,067,638	88,799
Outdoor Recreation_Acquisition, Development and Planning	Game and Parks Commission	15.916		796,726	792,255
Total U.S. Department of Interior			$	20,812,825	882,091
Justice, U.S. Department of					
Sexual Assault Services Formula Program	Law Enforcement and Criminal Justice, Commission for	16.017	$	422,974	406,443
CoronaVirus Emergency Supply Funding	Law Enforcement and Criminal Justice, Commission for	16.034		15,069	-
Juvenile Justice and Delinquency Prevention	Law Enforcement and Criminal Justice, Commission for	16.540		18,776	14,527
Just Juvenile Justice & Delinquincy	State Patrol	16.542		8,975	-
Missing Children's Assistance	State Patrol	16.543		365,233	-
State Justice Statistics Program for Statistical Analysis Centers	Law Enforcement and Criminal Justice, Commission for	16.550		150,239	-
National Criminal History Improvement Program (NCHIP)	State Patrol	16.554		974,294	15,780
National Institute of Justice Research, Evaluation, and Development Project Grants	Education, Department of	16.560		162,742	-
Crime Victim Assistance	Law Enforcement and Criminal Justice, Commission for	16.575		10,029,201	8,625,093
Crime Victim Compensation	Law Enforcement and Criminal Justice, Commission for	16.576		99,704	-
State Criminal Alien Assistance Program	Corrections, Department of	16.606		536,519	-
Justice Reinvestment Initiative	Nebraska Supreme Court	16.827		691,922	-
Crime Victim Assistance/Discretionary Grants	Law Enforcement and Criminal Justice, Commission for	16.582		210,386	9,156
Drug Court Discretionary Grant	Nebraska Supreme Court	16.585		35,629	-
Violence Against Women Formula Grants	Law Enforcement and Criminal Justice, Commission for	16.588		1,560,744	1,126,784
Residential Substance Abuse Treatment for State Prisoners	Law Enforcement and Criminal Justice, Commission for	16.593		86,874	-
Edward Byrne Memorial Justice Assistance Grant Program	Law Enforcement and Criminal Justice, Commission for	16.738		1,565,817	677,236
DNA Backlog Reduction Program	State Patrol	16.741		660,312	-
Paul Coverdell Forensic Sciences Improvement Grant Program	State Patrol	16.742		223,085	-
Support for Adam Walsh Act Implementation Grant Program	State Patrol	16.750		194,476	-
Edward Byrne Memorial Competitive Grant Program	Law Enforcement and Criminal Justice, Commission for	16.751		20,000	-
Harold Rogers Prescription Drug Monitoring Program	Department of Heath & Human Services	16.754		71,348	-
NICS Act Record Improvement Program	State Patrol	16.813		305,472	51,843
JRJ Prosecutors & Defenders	Justice, U.S. Department of	16.816		868	-
Stop School Violence	Education, Department of	16.839		225,895	137,814
Equitable Sharing Program	State Patrol	16.922		129,588	-
Federal Equitable Sharing Program: Public Safety Cash DOJ	State Patrol	16.922		880,405	-
Federal Equitable Sharing Program: Public Safety Cash Treasury	State Patrol	16.922		240,210	-
Total Equitable Sharing Program				1,250,203	-

^ - Amounts taken from financial status reports
See accompanying 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 #		2020 Expenditures	2020 Subrecipients
Justice, U.S. Department of (Continued)					
DEA Grants	State Patrol	16.U01		515	-
Total U.S. Department of Justice			$	19,887,272	11,064,676
Labor, U.S. Department of					
Labor Force Statistics	Labor, Department of	17.002	$	695,577	-
Compensation and Working Conditions	Worker's Compensation Court	17.005		38,850	-
Employment Service Cluster:					
Employment Service/Wagner-Peyser Funded Activities	Labor, Department of	17.207		4,833,388	-
Jobs for Veterans State Grants	Labor, Department of	17.801		629,800	-
Local Veterans' Employment Representative Program	Labor, Department of	17.804		189,216	-
Total Employment Service Cluster				5,652,404	-
Unemployment Insurance - Federal	Labor, Department of	17.225		954,499	-
COVID19 - Unemployment Insurance - Federal	Labor, Department of	17.225		563,925,037	-
Total Unemployment Insurance - Federal				564,879,536	-
Unemployment Insurance - State	Labor, Department of	17.225		237,274,076	-
Unemployment Insurance - Admin	Labor, Department of	17.225		19,633,988	-
COVID 19-Unemployment Insurance - Admin	Labor, Department of	17.225		1,702,279	-
Total Unemployment Insurance - Admin				21,336,267	-
Total Unemployment Insurance				823,489,879	-
Senior Community Service Employment Program	Department of Health and Human Services	17.235		601,267	575,997
Trade Adjustment Assistance	Labor, Department of	17.245		673,566	-
WIOA Cluster:					
WIOA Adult Program	Labor, Department of	17.258		1,804,746	1,398,688
WIOA Youth Activities	Labor, Department of	17.259		2,213,645	1,569,416
WIOA Dislocated Worker Formula Grants	Labor, Department of	17.278		2,034,527	1,043,950
Total WIOA Cluster				6,052,918	4,012,054
Reentry Employment Opportunities	Labor, Department of	17.270		17,811	-
Work Opportunity Tax Credit Program (WOTC)	Labor, Department of	17.271		97,543	-
Temporary Labor Certification for Foreign Workers	Labor, Department of	17.273		124,456	-
WIOA National Dislocated Worker Grant/WIA National Emergency Grants	Labor, Department of	17.277		776,211	-
Apprenticeship USA Grants	Labor, Department of	17.285		170,588	-
Consultation Agreements	Labor, Department of	17.504		515,715	-
Total U.S. Department of Labor			$	838,906,785	4,588,051

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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 #		2020 Expenditures	2020 Subrecipients
National Endowment for the Arts					
Promotion of the Arts_Partnership Agreements	Arts Council	45.025	$	788,538	574,946
COVID19 - Promotion of the Arts_Partnership Agreements	Arts Council	45.025		316,000	311,500
Total National Endowment for the Arts			$	1,104,538	886,446
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	$	1,073,771	755,236
Total President, Executive Office of			$	1,073,771	755,236
Small Business Administration					
State Trade Expansion Program	Economic Development, Department of	59.061	$	224,111	218,161
Small Business Credit Initiative	Economic Development, Department of	59.U01		29,661	-
Total Small Business Administration			$	253,772	218,161
Social Security Administration					
Disability Insurance/SSI Cluster:					
Social Security_Disability Insurance	Education, Department of	96.001	$	10,552,151	-
Supplemental Security Income	Education, Department of	96.006		861,794	-
Supplemental Security Income	Blind and Visually Impaired Commission	96.006		109,393	-
Total Supplemental Security Income				971,187	-
Total Disability Insurance/SSI Cluster				11,523,338	-
Total Social Security Administration			$	11,523,338	-
Congress, The Library of					
Utilizing Library of Congress Digital Resources to Teach About Historical Controversies	Education, Department of	42.U01	$	5,078	-
Total The Libray of Congress			$	5,078	-

^ - Amounts taken from financial status reports
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STATE OF NEBRASKA
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Federal Agency/Program Title	State Agency	CFDA or Grant #		2020 Expenditures	2020 Subrecipients
Transportation, U.S. Department of					
Airport Improvement Program	Transportation, Department of	20.106	$	24,224,373	24,224,373
Highway Research and Development Program	Transportation, Department of	20.200		20,476	-
Highway Planning and Construction Cluster:					
Highway Planning and Construction	Transportation, Department of	20.205		416,514,319	15,280,071
Recreational Trails Program	Game and Parks Commission	20.219		904,843	253,925
Total Highway Planning and Construction Cluster				417,419,162	15,533,996
FMCSA Cluster:					
Motor Carrier Safety Assistance	State Patrol	20.218		3,252,707	-
Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	State Patrol	20.237		31,160	-
Total FMSCA Cluster				3,283,867	-
Commercial Driver's License Program Implementation Grant	Motor Vehicles, Department of	20.232		316,252	-
Railroad Safety	Public Service Commission	20.301		2,272	-
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	Transportation, Department of	20.505		135,622	121,005
Formula Grants for Rural Areas	Transportation, Department of	20.509		10,496,553	8,027,783
COVID 19 - Formula Grants for Rural Areas	Transportation, Department of	20.509		2,332,444	2,332,444
Total Formula Grants for Rural Areas				12,828,997	10,360,227
Transit Services Programs Cluster:					
Enhanced Mobility for Seniors and Individuals with Disabilities	Transportation, Department of	20.513		2,176,732	2,176,732
Buses and Bus Facilities Formula Program	Transportation, Department of	20.526		95,552	95,552
Highway Safety Cluster:					
State and Community Highway Safety	Transportation, Department of	20.600		3,207,771	2,248,217
Incentive Grant Program to Prohibit Racial Profiling	Transportation, Department of	20.611		392,925	392,925
E-911 Grant Program	Public Service Commission	20.615		105,089	-
National Priority Safety Programs	Transportation, Department of	20.616		1,170,277	534,637
Total Highway Safety Cluster				4,876,062	3,175,779
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	Transportation, Department of	20.614		68,252	-
Pipeline Safety Program State Base Grant	Fire Marshal	20.700		396,982	73,583
Interagency Hazardous Materials Public Sector Training and Planning Grants	Military Department	20.703		174,751	77,023
National Infrastructure Investments	Transportation, Department of	20.933		6,000,000	-
Defense Access Roads	Transportation, Department of	20.U01		170,494	170,494
Total U.S. Department of Transportation			$	472,189,846	56,008,764

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See accompanying notes to the Schedule of Expenditures of Federal Awards

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Schedule of Expenditures of Federal Awards - By Federal Agency
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Federal Agency/Program Title	State Agency	CFDA or Grant #			2020 Expenditures	2020 Subrecipients
Veterans Affairs, U.S. Department of						
Grants to States for Construction of State Home Facilities	Department of Veterans' Affairs	64.005		$	3,178,052	-
Veterans State Domiciliary Care	Department of Veterans' Affairs	64.014	^		1,658,155	-
Veterans State Nursing Home Care	Department of Veterans' Affairs	64.015	^		18,529,085	-
Total U.S. Department of Veterans Affairs				$	23,365,292	-
Treasury, Department of						
Coronavirus Relief Fund	Military Department	21.019		$	48,343,274	-
Total Department of Treasury				$	48,343,274	-
TOTAL EXPENDITURES OF FEDERAL AWARDS				$	4,005,193,968	566,885,903

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See accompanying notes to the Schedule of Expenditures of Federal Awards

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State Agency/Program Title	Federal Agency	CFDA or Grant #		2020 Expenditures	2020 Subrecipients
Administrative Services					
State and Local Implementation Grant Program	Commerce, U.S. Department of	11.549	$	(884)	-
Total Administrative Services			$	(884)	-
Agriculture, Department of					
Plant and Animal Disease, Pest Control, and Animal Care	Agriculture, U.S. Department of	10.025	$	863,810	-
Specialty Crop Block Grant Program - Farm Bill	Agriculture, U.S. Department of	10.170		574,535	490,612
State Mediation Grants	Agriculture, U.S. Department of	10.435		116,390	-
Meat and Poultry Inspection	Agriculture, U.S. Department of	10.477		18,000	-
Food Safety Cooperative Agreements	Agriculture, U.S. Department of	10.479		81,131	-
WIC Farmers' Market Nutrition Program (FMNP)	Agriculture, U.S. Department of	10.572		41,044	-
Senior Farmers Market Nutrition Program	Agriculture, U.S. Department of	10.576		208,075	-
Emerging Markets Program	Agriculture, U.S. Department of	10.603		27,918	-
Nebraska Rural Rehabilitation Program	Agriculture, U.S. Department of	10.U01		176,063	-
Performance Partnership Grants	Environmental Protection Agency, U.S.	66.605		604,363	-
Food and Drug Administration_Research	Health and Human Services, U.S. Department of	93.103		760,698	-
Food Safety and Security Monitoring Project	Health and Human Services, U.S. Department of	93.448		311,559	-
Medicated Feed Inspection Contract	Health and Human Services, U.S. Department of	93.U01		82,254	-
Food Inspection Contract	Health and Human Services, U.S. Department of	93.U03		61,092	-
Total Department of Agriculture			$	3,926,932	490,612
Arts Council					
Promotion of the Arts_Partnership Agreements	National Endowment for the Arts	45.025	$	788,538	574,946
COVID19 - Promotion of the Arts_Partnership Agreements	National Endowment for the Arts	45.025		316,000	311,500
Total Arts Council			$	1,104,538	886,446
Attorney General					
Medicaid Cluster:					
State Medicaid Fraud Control Units	Health and Human Services, U.S. Department of	93.775	$	911,957	-
Total Attorney General			$	911,957	-

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State Agency/Program Title	Federal Agency	CFDA or Grant #		2020 Expenditures	2020 Subrecipients
Blind and Visually Impaired Commission					
Rehabilitation Services_Vocational Rehabilitation Grants to States	Education, U.S. Department of	84.126	$	2,825,014	-
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	Education, U.S. Department of	84.177		261,394	-
Supported Employment Services for Individuals with the Most Significant Disabilities	Education, U.S. Department of	84.187		45,676	-
Disability Insurance/SSI Cluster:					
Supplemental Security Income	Social Security Administration	96.006		109,393	-
Total Blind and Visually Impaired Commission			$	3,241,477	-
Corrections, Department of					
State Criminal Alien Assistance	Justice, U.S. Department of	16.606	$	536,519	-
Donation of Federal Surplus Personal Property	General Services Administration	39.003		372,581	-
Total Department of Corrections			$	909,100	-
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	$	13,021,603	12,434,496
Home Investment Partnerships Program	Housing & Urban Development, U.S. Department of	14.239		4,167,608	3,708,305
Housing Trust Fund	Housing & Urban Development, U.S. Department of	14.275		668,851	382,966
State Trade Expansion Program	Small Business Administration	59.061		224,111	218,161
Small Business Credit Iniative	Small Business Administration	59.U01		29,661	-
Total Department of Economic Development			$	18,111,834	16,743,928
Education, Department of					
Child Nutrition Cluster:					
School Breakfast Program	Agriculture, U.S. Department of	10.553	$	15,920,798	15,920,798
COVID19 - School Breakfast Program	Agriculture, U.S. Department of	10.553		615,862	615,862
Total School Breakfast Program				16,536,660	16,536,660
National School Lunch Program	Agriculture, U.S. Department of	10.555		59,545,008	59,545,008
COVID19 - National School Lunch Program	Agriculture, U.S. Department of	10.555		2,544,484	2,544,484
Total National School Lunch Program				62,089,492	62,089,492
Special Milk Program for Children	Agriculture, U.S. Department of	10.556		46,616	46,616
COVID19 - Special Milk Program for Children	Agriculture, U.S. Department of	10.556		1,953	1,953
Total Special Milk Program for Children				48,569	48,569

^ - Amounts taken from financial status reports.
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State Agency/Program Title	Federal Agency	CFDA or Grant #	2020 Expenditures	2020 Subrecipients
Education, Department of (Continued)				
Summer Food Service Program for Children	Agriculture, U.S. Department of	10.559	12,493,962	12,373,422
COVID19 - Summer Food Service Program for Children	Agriculture, U.S. Department of	10.559	10,782,086	10,782,086
Total Summer Food Service Program for Children			23,276,048	23,155,508
Total Child Nutrition Cluster			101,950,769	101,830,229
Child and Adult Care Food Program	Agriculture, U.S. Department of	10.558	25,316,517	25,083,607
COVID19 - Child and Adult Care Food Program	Agriculture, U.S. Department of	10.558	1,699,542	1,699,542
Total Child and Adult Care Food Program			27,016,059	26,783,149
State Administrative Expenses for Child Nutrition	Agriculture, U.S. Department of	10.560	1,853,159	-
Team Nutrition Grants	Agriculture, U.S. Department of	10.574	114,282	-
Farm to School Grant Program	Agriculture, U.S. Department of	10.575	5,305	-
Child Nutrition Discretionary Grants Limited Availability	Agriculture, U.S. Department of	10.579	129,430	129,430
Fresh Fruit and Vegetable Program	Agriculture, U.S. Department of	10.582	1,662,661	1,627,107
Direct Certification Performance	Agriculture, U.S. Department of	10.589	12,995	-
Forest Service Schools and Roads Cluster:				
Schools and Roads - Grants to Counties	Agriculture, U.S. Department of	10.666	140,180	140,180
Payments to States in Lieu of Real Estate Taxes	Defense, U.S. Department of	12.112	227,197	227,197
Cultural and Paleontological Resource Management	Interior, U.S. Department of	15.224	1,037	1,037
National Institute of Justice Research, Evaluation, and Development Project Grants	Justice, U.S. Department of	16.560	162,742	-
Stop School Violence	Justice, U.S. Department of	16.839	225,895	137,814
FCC - Certification	Federal Communications Commission	32.U01	32,114	-
Utilizing Library of Congress Digital Resources to Teach About Historical Controversies	Congress, The Library of	42.U01	5,078	-
Adult Education - Basic Grants to States	Education, U.S. Department of	84.002	2,423,255	2,159,435
Title I Grants to Local Educational Agencies	Education, U.S. Department of	84.010	65,664,515	64,859,730
Migrant Education_State Grant Program	Education, U.S. Department of	84.011	5,365,419	5,049,060
Title I State Agency Program for Neglected and Delinquent Children and Youth	Education, U.S. Department of	84.013	407,417	402,428
Special Education Cluster (IDEA):				
Special Education_Grants to States	Education, U.S. Department of	84.027	76,609,589	72,812,761
Special Education_Preschool Grants	Education, U.S. Department of	84.173	1,802,856	1,519,965
Total Special Education Cluster (IDEA)			78,412,445	74,332,726
Career and Technical Education -- Basic Grants to States	Education, U.S. Department of	84.048	6,310,812	5,649,845
Career and Techncial Education -- National Programs	Education, U.S. Department of	84.051	98,265	-
Rehabilitation Services_Vocational Rehabilitation Grants to States	Education, U.S. Department of	84.126	10,666,835	-
Migrant Education_Coordination Program	Education, U.S. Department of	84.144	72,675	69,489
Rehabilitation Services_Client Assistance Program	Education, U.S. Department of	84.161	153,650	-

^ - 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, 2020

State Agency/Program Title	Federal Agency	CFDA or Grant #	2020 Expenditures	2020 Subrecipients
Education, Department of (Continued)				
Special Education-Grants for Infants and Families	Education, U.S. Department of	84.181	2,656,423	1,992,789
Safe and Drug-Free Schools and Communities_National Programs	Education, U.S. Department of	84.184	365,409	-
Supported Employment Services for Individuals with the Most Significant Disabilities	Education, U.S. Department of	84.187	212,000	-
Education for Homeless Children and Youth	Education, U.S. Department of	84.196	332,305	280,638
Rehabilitation Services Demonstration and Training Programs	Education, U.S. Department of	84.235	704,256	-
Twenty-First Century Community Learning Centers	Education, U.S. Department of	84.287	6,123,932	5,750,290
Statewide Family Engagement Centers	Education, U.S. Department of	84.310	4,179	-
Special Education - State Personnel Development	Education, U.S. Department of	84.323	810,517	134,642
Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	Education, U.S. Department of	84.326	60,032	35,858
Rural Education	Education, U.S. Department of	84.358	73,238	69,869
English Language Acquisition State Grants	Education, U.S. Department of	84.365	3,100,228	2,908,622
Supporting Effective Instruction State Grant	Education, U.S. Department of	84.367	9,439,557	8,876,443
Competitive Grants for State Assessments	Education, U.S. Department of	84.368	909,522	-
Grants for State Assessments and Related Activities	Education, U.S. Department of	84.369	2,610,859	-
Statewide Data Systems	Education, U.S. Department of	84.372	31,662	-
School Improvement Grants	Education, U.S. Department of	84.377	1,638,653	1,587,167
Student Support and Academic Enrichment Program	Education, U.S. Department of	84.424	4,904,991	4,676,757
Hurricane Education Recovery	Education, U.S. Department of	84.938	8,515	8,515
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	84,373	40,000
Traumatic Brain Injury State Demonstration Grant Program	Health and Human Services, U.S. Department of	93.234	319,045	-
Substance Abuse and Mental Health Issues	Health and Human Services, U.S. Department of	93.243	1,647,207	-
ACL Assistive Technology	Health and Human Services, U.S. Department of	93.464	296,429	-
Head Start	Health and Human Services, U.S. Department of	93.600	121,816	-
Improving Student Health and Academic Achievement	Health and Human Services, U.S. Department of	93.981	355,800	8,721
Disability Insurance/SSI Cluster:				
Social Security_Disability Insurance	Social Security Administration	96.001	10,552,151	-
Supplemental Security Income	Social Security Administration	96.006	861,794	-
Total Disability Insurance/SSI Cluster			11,413,945	-
Total Department of Education			$ 351,339,084	309,769,167

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STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By State Agency
For the Fiscal Year Ended June 30, 2020

State Agency/Program Title	Federal Agency	CFDA or Grant #		2020 Expenditures	2020 Subrecipients
Environment and Energy, Department of					
State Memorandum of Agreement Program for the Reimbursement of Technical Services	Defense, U.S. Department of	12.113	$	100,988	-
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	Environmental Protection Agency, U.S.	66.034		368,002	-
State Clean Diesel Grant Program	Environmental Protection Agency, U.S.	66.040		411,295	-
Water Pollution Control State, Interstate, and Tribal Program Support	Environmental Protection Agency, U.S.	66.419		283,261	-
Lead Testing in Schools and Im	Environmental Protection Agency, U.S.	66.444		3,206	-
Water Quality Management Planning	Environmental Protection Agency, U.S.	66.454		95,963	-
Clean Water State Revolving Fund Cluster:					
Capitalization Grants for Clean Water State Revolving Funds	Environmental Protection Agency, U.S.	66.458		7,997,541	7,859,000
Nonpoint Source Implementation Grants	Environmental Protection Agency, U.S.	66.460		1,886,182	-
Drinking Water State Revolving Fund Cluster:					
Capitalization Grants for Drinking Water State Revolving Funds	Environmental Protection Agency, U.S.	66.468		12,497,443	10,957,667
Performance Partnership Grants	Environmental Protection Agency, U.S.	66.605		4,244,314	-
Environmental Information Exchange Network Grant Program and Related Assistance	Environmental Protection Agency, U.S.	66.608		39,754	-
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	Environmental Protection Agency, U.S.	66.802		573,408	-
Leaking Underground Storage Tank Trust Fund Corrective Action Program Recovery	Environmental Protection Agency, U.S.	66.805		413,014	-
State and Tribal Response Program Grants	Environmental Protection Agency, U.S.	66.817		509,119	-
State Energy Program	Energy, U.S. Department of	81.041		488,001	-
Weatherization Assistance for Low-Income Persons	Energy, U.S. Department of	81.042		2,354,309	2,042,925
State Energy Program Special Projects	Energy, U.S. Department of	81.119		118,744	61,419
State Heating Oil and Propane Program	Energy, U.S. Department of	81.138		7,713	-
Low-Income Home Energy Assistance	Health and Human Services, U.S. Department of	93.568		1,974,759	1,795,194
Total Department of Environmental and Energy			$	34,367,016	22,716,205
Equal Opportunity Commission					
Fair Housing Assistance Program_State and Local	Housing & Urban Development, U.S. Department of	14.401	$	209,088	-
Employment Discrimination_State and Local Fair Employment Practices Agency Contracts	Equal Employment Opportunity Commission, U.S.	30.002		546,756	-
Total Equal Opportunity Commission			$	755,844	-

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State Agency/Program Title	Federal Agency	CFDA or Grant #		2020 Expenditures	2020 Subrecipients
Fire Marshal					
Pipeline Safety Program State Base Grant	Transportation, U.S. Department of	20.700	$	396,982	73,583
Underground Storage Tank Prevention, Detection and Compliance Program	Environmental Protection Agency, U.S.	66.804		474,760	-
Total Fire Marshal			$	871,742	73,583
Game and Parks Commission					
Wetlands Reserve Program	Agriculture, U.S. Department of	10.072	$	30,667	-
Cooperative Forestry Assistance	Agriculture, U.S. Department of	10.664		26,036	-
AG Conservation Easement PGM	Agriculture, U.S. Department of	10.931		2,876	-
Regional Conservation Partnership Program	Agriculture, U.S. Department of	10.932		6,666	-
Recreation Resources Management	Interior, U.S. Department of	15.524		181,000	-
Fish and Wildlife Coordination Act	Interior, U.S. Department of	15.517		56,651	-
Fish and Wildlife Cluster:					
Sport Fish Restoration	Interior, U.S. Department of	15.605		3,887,476	-
Wildlife Restoration and Basic Hunter Education	Interior, U.S. Department of	15.611		12,907,238	-
Enhanced Hunter Education and Safety	Interior, U.S. Department of	15.626		45,829	-
Total Fish and Wildlife Cluster				16,840,543	-
Cooperative Endangered Species Conservation Fund	Interior, U.S. Department of	15.615		454,763	-
State Wildlife Grants	Interior, U.S. Department of	15.634		1,140,661	-
Migratory Bird Joint Ventures	Interior, U.S. Department of	15.637		45,635	-
Endangered Species Conservation – Recovery Implementation Funds	Interior, U.S. Department of	15.657		6,843	-
Cooperative Landscape Conservation	Interior, U.S. Department of	15.669		38,654	-
Outdoor Recreation_Acquisition, Development and Planning	Interior, U.S. Department of	15.916		796,726	792,255
Highway Planning and Construction Cluster:					
Recreational Trails Program	Transportation, U.S. Department of	20.219		904,843	253,925
Regional Wetland Program Development Grants	Environmental Protection Agency, U.S.	66.461		84,170	-
Boating Safety Financial Assistance	Homeland Security, U.S. Department of	97.012		594,380	-
Total Game and Parks Commission			$	21,211,114	1,046,180
Health and Human Services, Department of					
SNAP Cluster:					
Supplemental Nutrition Assistance Program	Agriculture, U.S. Department of	10.551	$	213,558,418	-
COVID-19 Supplemental Nutrition Assistance Program	Agriculture, U.S. Department of	10.551		35,446,063	-
Total Supplemental Nutrition Assistance Program				249,004,481	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Agriculture, U.S. Department of	10.561		20,332,661	2,007,507
Total SNAP Cluster				269,337,142	2,007,507

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State Agency/Program Title	Federal Agency	CFDA or Grant #	2020 Expenditures	2020 Subrecipients
Health and Human Services, Department of (Continued)				
Child Nutrition Cluster:				
National School Lunch Program	Agriculture, U.S. Department of	10.555	14,016,176	-
Summer Food Service Program for Children	Agriculture, U.S. Department of	10.559	5,125	-
Total Child Nutrition Cluster			14,021,301	-
Special Supplemental Nutrition Program for Women, Infants, and Children	Agriculture, U.S. Department of	10.557	24,834,362	8,116,012
Child and Adult Care Food Program	Agriculture, U.S. Department of	10.558	125,017	-
State Administrative Expenses for Child Nutrition	Agriculture, U.S. Department of	10.560	246,466	-
Food Distribution Cluster:				
Commodity Supplemental Food Program	Agriculture, U.S. Department of	10.565	2,734,018	615,191
Emergency Food Assistance Program (Administrative Costs)	Agriculture, U.S. Department of	10.568	738,128	371,351
Emergency Food Assistance Program (Food Commodities)	Agriculture, U.S. Department of	10.569	8,066,495	-
Total Food Distribution Cluster			11,538,641	986,542
WIC Grants To States (WGS)	Agriculture, U.S. Department of	10.578	61,104	-
Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants	Agriculture, U.S. Department of	10.580	41,385	-
Emergency Solutions Grant Program	Housing & Urban Development, U.S. Department of	14.231	851,984	816,020
Housing Opportunities for Persons with AIDS	Housing & Urban Development, U.S. Department of	14.241	454,971	427,597
Harold Rogers Prescription Drug Monitoring Program	Justice, U.S. Department of	16.754	71,348	-
Senior Community Service Employment Program	Labor, U.S. Department of	17.235	601,267	575,997
State Indoor Radon Grants	Environmental Protection Agency, U.S.	66.032	192,565	20,243
Multipurpose Grants to States and Tribes	Environmental Protection Agency, U.S.	66.204	24,080	-
State Public Water System Supervision	Environmental Protection Agency, U.S.	66.432	798,021	-
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	Environmental Protection Agency, U.S.	66.707	241,663	-
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	18,355	-
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	81,604	81,604
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	67,987	67,141
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	2,335,805	1,822,369
COVID19 - 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	16,187	16,187
Total - Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers			2,351,992	1,838,556

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State Agency/Program Title	Federal Agency	CFDA or Grant #		2020 Expenditures	2020 Subrecipients
Health and Human Services, Department of (Continued)					
Special Programs for the Aging_Title III, Part C_Nutrition Services	Health and Human Services, U.S. Department of	93.045		3,913,941	3,825,185
COVID19 - Special Programs for the Aging_Title III, Part C_Nutrition Services	Health and Human Services, U.S. Department of	93.045		522,954	507,343
Total - Special Programs for the Aging_Title III, Part C_Nutrition Services				4,436,895	4,332,528
Nutrition Services Incentive Program	Health and Human Services, U.S. Department of	93.053		861,701	861,701
Total Aging Cluster				7,650,588	7,032,785
Special Programs for the Aging - Title IV and Title II - Discretionary Projects	Health and Human Services, U.S. Department of	93.048		88,623	88,623
National Family Caregiver Support, Title III, Part E	Health and Human Services, U.S. Department of	93.052		964,928	938,377
COVID19 - National Family Caregiver Support, Title III, Part E	Health and Human Services, U.S. Department of	93.052		22,042	22,042
Total - National Family Caregiver Support, Title III, Part E				986,970	960,419
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		4,078,319	3,410,299
National Bioterrorism Hospital Preparedness Program	Health and Human Services, U.S. Department of	93.889		938,209	753,664
Total Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Cluster				5,016,528	4,163,963
Guardianship Assistance	Health and Human Services, U.S. Department of	93.090	^	258,672	-
Affordable Care Act (ACA) Personal Responsibility Education Program	Health and Human Services, U.S. Department of	93.092		306,061	248,469
Well-Integrated Screening & Evaluation for Women Across the Nation	Health and Human Services, U.S. Department of	93.094		(1,850)	-
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	Health and Human Services, U.S. Department of	93.104		2,233,794	2,105,965
Maternal and Child Health Federal Consolidated Programs	Health and Human Services, U.S. Department of	93.110		509,108	311,144
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	Health and Human Services, U.S. Department of	93.116		202,188	4,146
Emergency Medical Services for Children	Health and Human Services, U.S. Department of	93.127		108,680	-
Injury Prevention and Control Research and State and Community Based Programs	Health and Human Services, U.S. Department of	93.136		2,052,430	438,426
Projects for Assistance in Transition from Homelessness (PATH)	Health and Human Services, U.S. Department of	93.150		295,261	289,175
Grants to State for Loan Repayment Program	Health and Human Services, U.S. Department of	93.165		461,594	-
Childhood Lead Poisoning Prevention Project	Health and Human Services, U.S. Department of	93.197		454,147	163,424
Family Planning_Services	Health and Human Services, U.S. Department of	93.217		(3,526)	-
Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program	Health and Human Services, U.S. Department of	93.235		271,187	172,907
Grants to States to Support Oral Health Workforce Activities	Health and Human Services, U.S. Department of	93.236		61,966	30,430
State Rural Hospital Flexibility Program	Health and Human Services, U.S. Department of	93.241		935,126	523,079
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	Health and Human Services, U.S. Department of	93.243		2,146,080	1,815,913
Early Hearing Detection and Intervention	Health and Human Services, U.S. Department of	93.251		277,446	85,923
Occupational Safety and Health Program	Health and Human Services, U.S. Department of	93.262		113,186	1,414

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STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By State Agency
For the Fiscal Year Ended June 30, 2020

State Agency/Program Title	Federal Agency	CFDA or Grant #	2020 Expenditures	2020 Subrecipients
Health and Human Services, Department of (Continued)				
Immunization Cooperative Agreements	Health and Human Services, U.S. Department of	93.268	23,859,228	1,012,293
Viral Hepatitis Prevention and Control	Health and Human Services, U.S. Department of	93.270	135,692	17,893
Drug Abuse and Addiction Research Programs	Health and Human Services, U.S. Department of	93.279	93,743	-
Centers for Disease Control and Prevention_Investigations and Technical Assistance	Health and Human Services, U.S. Department of	93.283	156,146	-
State Partnership Grant Program to Improve Minority Health	Health and Human Services, U.S. Department of	93.296	117,717	50,942
Small Rural Hospital Improvement Grant Program	Health and Human Services, U.S. Department of	93.301	1,030,471	1,030,471
National State Based Tobacco Control Programs	Health and Human Services, U.S. Department of	93.305	821,637	78,900
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	Health and Human Services, U.S. Department of	93.314	118,639	-
Epidemiology & Laboratory Capacity for Infectious Diseases	Health and Human Services, U.S. Department of	93.323	2,895,002	723,234
COVID19 - Epidemiology & Laboratory Capacity for Infectious Diseases	Health and Human Services, U.S. Department of	93.323	74,900	-
Total - Epidemiology & Laboratory Capacity for Infectious Diseases			2,969,902	723,234
Behavioral Risk Factor Surveillance System	Health and Human Services, U.S. Department of	93.336	391,582	-
Public Health Crisis Response Awards	Health and Human Services, U.S. Department of	93.354	1,117,424	239,413
COVID19 - Public Health Crisis Response Awards	Health and Human Services, U.S. Department of	93.354	278,124	-
Total - Public Health Crisis Response Awards			1,395,548	239,413
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	660,756	171,483
ESSA/Preschool Development Grants	Health and Human Services, U.S. Department of	93.434	2,702,446	2,690,940
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	259,257	-
Well-Integrated Screening and Evaluation for Women Across the Nation (Wisewoman)	Health and Human Services, U.S. Department of	93.436	498,200	92,413
Pregnancy Assistance Fund Program	Health and Human Services, U.S. Department of	93.500	910,768	898,343
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	(41)	-
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	Health and Human Services, U.S. Department of	93.539	(5,471)	-
National Health Service Corps	Health and Human Services, U.S. Department of	93.547	138,395	-
Promoting Safe and Stable Families	Health and Human Services, U.S. Department of	93.556	1,191,796	722,688
TANF Cluster:				
Temporary Assistance for Needy Families	Health and Human Services, U.S. Department of	93.558	41,345,454	9,729,424

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STATE OF NEBRASKA
Schedule of Expenditures of Federal Awards - By State Agency
For the Fiscal Year Ended June 30, 2020

State Agency/Program Title	Federal Agency	CFDA or Grant #		2020 Expenditures	2020 Subrecipients
Health and Human Services, Department of (Continued)					
Child Support Enforcement	Health and Human Services, U.S. Department of	93.563	^	17,160,091	9,393,338
Refugee and Entrant Assistance_State Administered Programs	Health and Human Services, U.S. Department of	93.566	^	2,716,250	1,708,616
Low-Income Home Energy Assistance	Health and Human Services, U.S. Department of	93.568		28,517,573	-
Community Services Block Grant	Health and Human Services, U.S. Department of	93.569		4,734,428	4,554,076
CCDF Cluster:					
Child Care and Development Block Grant	Health and Human Services, U.S. Department of	93.575		32,524,349	6,091,941
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Health and Human Services, U.S. Department of	93.596		20,351,534	-
Total CCDF Cluster				52,875,883	6,091,941
Refugee and Entrant Assistance_Discretionary Grants	Health and Human Services, U.S. Department of	93.576		25,584	25,584
Grants to States for Access and Visitation Programs	Health and Human Services, U.S. Department of	93.597		105,895	105,895
Chafee Education and Training Vouchers Program (ETV)	Health and Human Services, U.S. Department of	93.599		424,713	424,713
Adoption and Legal Guardianship Incentive Payments	Health and Human Services, U.S. Department of	93.603		406,188	160,034
Developmental Disabilities Basic Support and Advocacy Grants	Health and Human Services, U.S. Department of	93.630		463,563	169,785
Children's Justice Grants to States	Health and Human Services, U.S. Department of	93.643		76,504	75,291
Stephanie Tubbs Jones Child Welfare Service Program	Health and Human Services, U.S. Department of	93.645		2,845,521	-
Foster Care_Title IV-E	Health and Human Services, U.S. Department of	93.658	^	17,560,970	2,123,826
COVID 19-Foster Care_Title IV-E	Health and Human Services, U.S. Department of	93.658	^	180,982	-
Total Foster Care_Title IV-E				17,741,952	2,123,826
Adoption Assistance	Health and Human Services, U.S. Department of	93.659	^	23,817,975	-
COVID 19-Adoption Assistance	Health and Human Services, U.S. Department of	93.659	^	1,259,510	-
Total Adoption Assistance				25,077,485	-
Social Services Block Grant	Health and Human Services, U.S. Department of	93.667		12,674,506	357,509
Child Abuse and Neglect State Grants	Health and Human Services, U.S. Department of	93.669		264,262	256,833
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	Health and Human Services, U.S. Department of	93.671		1,141,179	1,137,839
John H. Chafee Foster Care Program for Successful Transition to Adulthood	Health and Human Services, U.S. Department of	93.674		895,083	735,636
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		58,854	29,221
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		120,863	-
Preventive Health & Health Services Block Grant Funded Solely with Prevention & Public Health Funds (PPHF)	Health and Human Services, U.S. Department of	93.758		(39,720)	-
Children's Health Insurance Program	Health and Human Services, U.S. Department of	93.767	^	79,033,503	-
COVID19 - Children's Health Insurance Program	Health and Human Services, U.S. Department of	93.767	^	2,140,562	-
Total - Children's Health Insurance Program				81,174,065	-

^ - 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, 2020

State Agency/Program Title	Federal Agency	CFDA or Grant #			2020 Expenditures	2020 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	^		3,746,946	-
Medical Assistance Program	Health and Human Services, U.S. Department of	93.778	^		1,305,900,864	7,947,876
COVID19 - Medical Assistance Program	Health and Human Services, U.S. Department of	93.778	^		71,150,105	161,236
Total - Medical Assistance Program					1,377,050,969	8,109,112
Total Medicaid Cluster					1,380,797,915	8,109,112
Opioid STR	Health and Human Services, U.S. Department of	93.788			3,130,707	2,864,898
Money Follows the Person Rebalancing Demonstration	Health and Human Services, U.S. Department of	93.791			662,635	-
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	Health and Human Services, U.S. Department of	93.817			211,526	211,526
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			1,370,053	1,163,618
Cancer Prevention & Control Programs for State, Territorial & Tribal Organization	Health and Human Services, U.S. Department of	93.898			3,027,545	906,104
Grants to States for Operation of Offices of Rural Health	Health and Human Services, U.S. Department of	93.913			160,721	67,908
HIV Care Formula Grants	Health and Human Services, U.S. Department of	93.917			(68,895)	-
HIV Prevention Activities_Health Department Based	Health and Human Services, U.S. Department of	93.940			975,712	355,426
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	Health and Human Services, U.S. Department of	93.944			(4,597)	-
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	Health and Human Services, U.S. Department of	93.946			145,404	-
Block Grants for Community Mental Health Services	Health and Human Services, U.S. Department of	93.958			2,854,440	2,715,698
Block Grants for Prevention and Treatment of Substance Abuse	Health and Human Services, U.S. Department of	93.959			7,849,787	7,604,910
Sexually Transmitted Diseases (STD) Prevention and Control Grants	Health and Human Services, U.S. Department of	93.977			482,387	134,247
Mental Health Disaster Assistance and Emergency Mental Health	Health and Human Services, U.S. Department of	93.982			1,193,456	1,193,456
Preventive Health and Health Services Block Grant	Health and Human Services, U.S. Department of	93.991			2,464,677	771,122
Maternal and Child Health Services Block Grant to the States	Health and Human Services, U.S. Department of	93.994			4,078,495	1,738,641
State Commissions	Corporation For National and Community Service	94.003			241,967	-
AmeriCorps	Corporation For National and Community Service	94.006			1,208,010	1,208,010
Training and Technical Assistance	Corporation For National and Community Service	94.009			277,701	646
Total Department of Health and Human Services				$	2,087,345,755	105,388,764
Historical Society						
Cultural Resources Management	Interior, U.S. Department of	15.511		$	43,040	-
Historic Preservation Fund Grants-In-Aid	Interior, U.S. Department of	15.904			1,067,638	88,799
Total Historical Society				$	1,110,678	88,799

^ - 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, 2020

State Agency/Program Title	Federal Agency	CFDA or Grant #		2020 Expenditures	2020 Subrecipients
Indian Affairs, Commission On					
Rural Business Development Grant	Agriculture, U.S. Department of	10.351	$	9,532	-
Total Indian Affairs, Commission On			$	9,532	-
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	$	250,100	123,239
Medicare Enrollment Assistance Program	Health and Human Services, U.S. Department of	93.071		171,782	73,369
State Health Ins Asst Program	Health and Human Services, U.S. Department of	93.324		419,983	175,849
The Health Insurance Enforcement and Consumer Protections Grant Program	Health and Human Services, U.S. Department of	93.881		575,639	-
Total Department of Insurance			$	1,417,504	372,457
Labor, Department of					
Labor Force Statistics	Labor, U.S. Department of	17.002	$	695,577	-
Employment Service Cluster:					
Employment Service/Wagner-Peyser Funded Activities	Labor, U.S. Department of	17.207		4,833,388	-
Jobs for Veterans State Grants	Labor, U.S. Department of	17.801		629,800	-
Local Veterans' Employment Representative Program	Labor, U.S. Department of	17.804		189,216	-
Total Employment Service Cluster				5,652,404	-
Unemployment Insurance - Federal	Labor, U.S. Department of	17.225		954,499	-
COVID19 - Unemployment Insurance - Federal	Labor, U.S. Department of	17.225		563,925,037	-
Total Unemployment Insurance - Federal				564,879,536	-
Unemployment Insurance - State	Labor, U.S. Department of	17.225		237,274,076	-
Unemployment Insurance - Admin	Labor, U.S. Department of	17.225		19,633,988	
COVID 19-Unemployment Insurance - Admin	Labor, U.S. Department of	17.225		1,702,279	-
Total Unemployment Insurance - Admin				21,336,267	-
Total Unemployment Insurance				823,489,879	-
Trade Adjustment Assistance	Labor, U.S. Department of	17.245		673,566	-
WIOA Cluster:					
WIOA Adult Program	Labor, U.S. Department of	17.258		1,804,746	1,398,688
WIOA Youth Activities	Labor, U.S. Department of	17.259		2,213,645	1,569,416
WIOA Dislocated Worker Formula Grants	Labor, U.S. Department of	17.278		2,034,527	1,043,950
Total WIOA Cluster				6,052,918	4,012,054
Reentry Employment Opportunities	Labor, U.S. Department of	17.270		17,811	-
Work Opportunity Tax Credit Program (WOTC)	Labor, U.S. Department of	17.271		97,543	-
Temporary Labor Certification for Foreign Workers	Labor, U.S. Department of	17.273		124,456	-

^ - 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, 2020

State Agency/Program Title	Federal Agency	CFDA or Grant #		2020 Expenditures	2020 Subrecipients
Labor, Department of (Continued)					
WIOA National Dislocated Worker Grant/WIA National Emergency Grants	Labor, U.S. Department of	17.277		776,211	-
Apprenticeship USA Grants	Labor, U.S. Department of	17.285		170,588	-
Consultation Agreements	Labor, U.S. Department of	17.504		515,715	-
Total Department of Labor			$	838,266,668	4,012,054
Law Enforcement and Criminal Justice, Commission for					
Sexual Assault Services Formula Program	Justice, U.S. Department of	16.017	$	422,974	406,443
CoronaVirus Emergency Supply Funding	Justice, U.S. Department of	16.034		15,069	-
Juvenile Justice and Delinquency Prevention	Justice, U.S. Department of	16.540		18,776	14,527
State Justice Statistics Program for Statistical Analysis Centers	Justice, U.S. Department of	16.550		150,239	-
Crime Victim Assistance	Justice, U.S. Department of	16.575		10,029,201	8,625,093
Crime Victim Compensation	Justice, U.S. Department of	16.576		99,704	-
Crime Victim Assistance/Discretionary Grants	Justice, U.S. Department of	16.582		210,386	9,156
Violence Against Women Formula Grants	Justice, U.S. Department of	16.588		1,560,744	1,126,784
Residential Substance Abuse Treatment for State Prisoners	Justice, U.S. Department of	16.593		86,874	-
Edward Byrne Memorial Justice Assistance Grant Program	Justice, U.S. Department of	16.738		1,565,817	677,236
Edward Byrne Memorial Competitive Grant Program	Justice, U.S. Department of	16.751		20,000	-
JRJ Prosecutors & Defenders	Justice, U.S. Department of	16.816		868	-
Total Commission for Law Enforcement and Criminal Justice			$	14,180,652	10,859,239
Library Commission					
Grants to States	Institute of Museum and Library Services	45.310	$	1,383,175	-
National Leadership Grants	Institute of Museum and Library Services	45.312		161,121	-
Education and Human Resources	National Science Foundation	47.076		24,692	-
Total Library Commission			$	1,568,988	-
Military Department					
Military Construction, National Guard	Defense, U.S. Department of	12.400	$	2,556,846	-
National Guard Military Operations and Maintenance (O&M) Projects	Defense, U.S. Department of	12.401		27,806,227	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	Transportation, U.S. Department of	20.703		174,751	77,023
CoronaVirus Relief Fund	Treasury, Department of	21.019		48,343,274	-
State Domestic Preparedness Eq	Homeland Security, U.S. Department of	97.004		7,600	-
Urban Areas Security Init (Non-Profit Security Program)	Homeland Security, U.S. Department of	97.008		76,776	76,776
Homeland Security Grant Program	Homeland Security, U.S. Department of	97.067		3,786,718	2,441,919
Crisis Counseling	Homeland Security, U.S. Department of	97.032		601,100	601,100

^ - 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, 2020

State Agency/Program Title	Federal Agency	CFDA or Grant #		2020 Expenditures	2020 Subrecipients
Military Department (Continued)					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Homeland Security, U.S. Department of	97.036		31,293,629	30,569,810
Hazard Mitigation Grant	Homeland Security, U.S. Department of	97.039		1,216,745	1,216,745
Emergency Management Performance Grants	Homeland Security, U.S. Department of	97.042		4,008,065	2,669,006
Pre-Disaster Mitigation	Homeland Security, U.S. Department of	97.047		325,346	325,346
Financial Assistance for Countering Violent Extremeism	Homeland Security, U.S. Department of	97.132		93,286	33,652
Total Military Department			$	120,290,363	38,011,377
Motor Vehicles, Department of					
Commercial Driver's License Program Implementation Grant	Transportation, U.S. Department of	20.232	$	316,252	-
Total Department of Motor Vehicles			$	316,252	-
Natural Resources, Department of					
Reclamation States Emergency Drought Relief	Interior, U.S. Department of	15.514	$	139,634	-
Community Assistance Program State Support Services Element (CAP-SSSE)	Homeland Security, U.S. Department of	97.023		168,558	-
Flood Mitigation Assistance	Homeland Security, U.S. Department of	97.029		197,809	-
National Dam Safety Program	Homeland Security, U.S. Department of	97.041		252,404	-
Cooperating Technical Partners	Homeland Security, U.S. Department of	97.045		1,061,608	-
Total Department of Natural Resources			$	1,820,013	-
Oil and Gas Commission					
Multipurpose Grant to States and Tribe	Environmental Protection Agency, U.S.	66.204	$	39,816	-
State Underground Water Source Protection	Environmental Protection Agency, U.S.	66.433		52,150	-
Total Oil and Gas Commission			$	91,966	-
Public Service Commission					
Railroad Safety	Transportation, U.S. Department of	20.301	$	2,272	-
E-911 Grant Program	Transportation, U.S. Department of	20.615	$	105,089	-
Total Public Service Commission			$	107,361	-

^ - 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, 2020

State Agency/Program Title	Federal Agency	CFDA or Grant #		2020 Expenditures	2020 Subrecipients
Transportation, Department of					
Airport Improvement Program	Transportation, U.S. Department of	20.106	$	24,224,373	24,224,373
Highway Research and Development Program	Transportation, U.S. Department of	20.200		20,476	-
Highway Planning and Construction Cluster:					
Highway Planning and Construction	Transportation, U.S. Department of	20.205		416,514,319	15,280,071
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	Transportation, U.S. Department of	20.505		135,622	121,005
Formula Grants for Rural Areas	Transportation, U.S. Department of	20.509		10,496,553	8,027,783
COVID 19 - Formula Grants for Rural Areas	Transportation, U.S. Department of	20.509		2,332,444	2,332,444
Total Formula Grants for Rural Areas				12,828,997	10,360,227
Transit Services Programs Cluster:					
Enhanced Mobility of Seniors and Individuals with Disabilities	Transportation, U.S. Department of	20.513		2,176,732	2,176,732
Buses and Bus Facilities Formula Program	Transportation, U.S. Department of	20.526		95,552	95,552
Highway Safety Cluster:					
State and Community Highway Safety	Transportation, U.S. Department of	20.600		3,207,771	2,248,217
Incentive Grant Program to Prohibit Racial Profiling	Transportation, U.S. Department of	20.611		392,925	392,925
National Priority Safety Programs	Transportation, U.S. Department of	20.616		1,170,277	534,637
Total Highway Safety Cluster				4,770,973	3,175,779
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	Transportation, U.S. Department of	20.614		68,252	-
National Infrastructure Investments	Transportation, U.S. Department of	20.933		6,000,000	-
Defense Access Roads	Transportation, U.S. Department of	20.U01		170,494	170,494
Total Department of Transportation			$	467,005,790	55,604,233
Secretary of State					
2018 HAVA Election Security Grants	U.S. Election Assistance Commission	90.404	$	1,406,340	-
COVID19 - 2018 HAVA Election Security Grant	U.S. Election Assistance Commission	90.404		697,217	-
Total 2018 HAVA Election Security Grants				2,103,557	-
Total Secretary of State			$	2,103,557	-
State Patrol					
Just Juvenile Justice & Delinquincy	Justice, U.S. Department of	16.542	$	8,975	-
Missing Children's Assistance	Justice, U.S. Department of	16.543		365,233	-
National Criminal History Improvement Program (NCHIP)	Justice, U.S. Department of	16.554		974,294	15,780
DNA Backlog Reduction Program	Justice, U.S. Department of	16.741		660,312	-
Paul Coverdell Forensic Sciences Improvement Grant Program	Justice, U.S. Department of	16.742		223,085	-

^ - 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, 2020

State Agency/Program Title	Federal Agency	CFDA or Grant #		2020 Expenditures	2020 Subrecipients
State Patrol (Continued)					
Support for Adam Walsh Act Implementation Grant Program	Justice, U.S. Department of	16.750		194,476	-
NICS Act Record Improvement Program	Justice, U.S. Department of	16.813		305,472	51,843
Equitable Sharing Program	Justice, U.S. Department of	16.922		129,588	-
Federal Equitable Sharing Program: Public Safety Cash DOJ	Justice, U.S. Department of	16.922		880,405	-
Federal Equitable Sharing Program: Public Safety Cash Treasury	Justice, U.S. Department of	16.922		240,210	-
Total Federal Equitable Sharing Program: Public Safety	Justice, U.S. Department of			1,250,203	-
DEA Grants	Justice, U.S. Department of	16.U01		515	-
FMCSA Cluster:					
Motor Carrier Safety Assistance	Transportation, U.S. Department of	20.218		3,252,707	-
Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	Transportation, U.S. Department of	20.237		31,160	-
Total FMSCA Cluster				3,283,867	-
High Intensity Drug Trafficking Areas Program	Executive Office of the President	95.001		1,073,771	755,236
Total State Patrol			$	8,340,203	822,859
Supreme Court, Nebraska					
Drug Court Discretionary Grant	Justice, U.S. Department of	16.585	$	35,629	-
Justice Reinvestment Initiative	Justice, U.S. Department of	16.827		691,922	-
State Court Improvement Program	Health and Human Services, U.S. Department of	93.586		337,239	-
Total Nebraska Supreme Court			$	1,064,790	-
Veterans' Affairs, Department of					
Grants to States for Construction of State Home Facilities	Veterans Affairs, U.S. Department of	64.005	$	3,178,052	-
Veterans State Domiciliary Care	Veterans Affairs, U.S. Department of	64.014 ^		1,658,155	-
Veterans State Nursing Home Care	Veterans Affairs, U.S. Department of	64.015 ^		18,529,085	-
Total Department of Veterans' Affairs			$	23,365,292	-
Worker's Compensation Court					
Compensation and Working Conditions	Labor, U.S. Department of	17.005	$	38,850	-
Total Worker's Compensation Court			$	38,850	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			$	4,005,193,968	566,885,903

^ - 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, 2020.

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, 2020, the inventory balance of nonmonetary assistance for food commodities at the State level was $20,360.

(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	$ 14,016,176
10.558	Child and Adult Care Food Program	125,017
10.559	Summer Food Service Program for Children	5,125
10.565	Commodity Supplemental Food Program	2,044,181
10.569	Emergency Food Assistance Program	8,066,495

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 $16,453,052 was delivered directly to subrecipients.

The Immunization Cooperative Agreements (CFDA 93.268) included expenditures of $21,365,054 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 2020 was valued at the historical cost of $2,483,876 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, 2020
66.458	Capitalization Grants for Clean Water State Revolving Funds	$230,247,564
66.468	Capitalization Grants for Drinking Water State Revolving Funds	$90,548,380

New loans provided from these programs, totaling $16,189,150, 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.

(8) Donated Personal Protective Equipment (PPE) (Unaudited)

The Nebraska Department of Health and Human Services received donated PPE from the Strategic National Stockpile to help hospitals, medical centers, and other local entities serving the public for COVID-19 response. The fair market value of the donated PPE received was $7,511,913. The amount of donated PPE received is not reported as an expenditure on the SEFA.


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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State Auditor

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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 were engaged to audit, 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, 2020, 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 17, 2020. Our report disclaims an opinion on such financial statements because the State of Nebraska was unable to provide sufficient appropriate audit evidence for the balance and financial activity of capital assets and the receivables and payables of the Unemployment Insurance Fund. Management was unable to determine the proper balance for construction in progress and capital assets as well as the related activity due to numerous errors. The governmental and business-type activities capital assets had balances of $9,200,010,000 and $7,224,000, respectively, for the fiscal year ended June 30, 2020. The capital asset balance comprises 51% of total assets of the governmental activities and 1% of total assets of business-type activities. Also, as of the date of our audit report, management was still in the process of determining the balance for receivables and related payables due to overpayments or fraudulent unemployment insurance claims. We were unable to satisfy ourselves through auditing procedures concerning the capital asset, payable, and receivable balances and the related activity. As a result of these matters, we were unable to determine whether further audit adjustments may have been necessary in respect to the recorded or unrecorded capital assets, receivables, payables, and the elements making up the statements of activities and cash flows.

Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements of the State of Nebraska, we considered the State of Nebraska's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that 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 2020-001, 2020-002, 2020-003, 2020-004, 2020-010, 2020-019, and 2020-020 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 2020-005, 2020-006, 2020-007, 2020-008, 2020-009, 2020-011, 2020-012, 2020-013, 2020-014, 2020-015, 2020-016, 2020-017, 2020-018, and 2020-021 to be significant deficiencies.

Compliance and Other Matters

In connection with our engagement to audit the financial statements of the State of Nebraska, 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our engagement, 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*. However, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, instances of noncompliance or other matters may have been identified and reported herein.

We did note 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 engagement 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 engagement to audit 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 results 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 engagement to perform an audit 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.

Kris Kucera

Lincoln, Nebraska
December 17, 2020

Kris Kucera, CPA, CFE
Audit Manager

NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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State 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, 2020. 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, 2020. 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 adverse, 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 Twenty-First Century Community Learning Centers, CCDF Cluster, Formula Grants for Rural Areas

As described in Findings 2020-030, 2020-042, and 2020-066 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
2020-030	84.287	Twenty-First Century Community Learning Centers	Allowability & Subrecipient Monitoring
2020-042	93.575, 93.596	CCDF Cluster	Allowability & Eligibility
2020-066	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 Twenty-First Century Community Learning Centers, 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 Twenty-First Century Community Learning Centers, CCDF Cluster, and Formula Grants for Rural Areas for the year ended June 30, 2020.

Basis for Adverse Opinion on Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Cluster, Unemployment Insurance

As described in Findings 2020-037 and 2020-060 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
2020-037	93.069, 93.889	HPP and PHEP Cluster	Allowability & Subrecipient Monitoring
2020-060	17.225	Unemployment Insurance	Allowability & Eligibility

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

Adverse Opinion on Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Cluster, Unemployment Insurance

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the State of Nebraska did not comply in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Cluster and Unemployment Insurance for the year ended June 30, 2020.

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, 2020.

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**
2020-022	Various, 93.778	Various, Medical Assistance Program	Allowable Costs
2020-023	Various, 93.767	Various, Children's Health Insurance Program	Reporting
2020-024	84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	Reporting
2020-025	84.027, 84.173	Special Education Cluster (IDEA)	Allowability & Subrecipient Monitoring
2020-026	84.027, 84.173	Special Education Cluster (IDEA)	Earmarking
2020-027	84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	Allowability
2020-028	84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	Reporting
2020-029	84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	Reporting
2020-031	84.367	Supporting Effective Instruction State Grant	Allowability
2020-032	84.367	Supporting Effective Instruction State Grant	Special Tests
2020-033	93.575, 93.658	Child Care and Development Block Grant, Foster Care Title IV-E	Allowable Costs
2020-034	93.658, 93.778	Foster Care Title IV-E, Medical Assistance Program	Allowable Costs
2020-035	Various, 93.778	Various, Medical Assistance Program	Allowable Costs

Finding #	CFDA #	Federal Program	Compliance Requirement
2020-036	10.557, 93.243, 93.674	WIC, Substance Abuse and Mental Health Services Projects, Chafee Foster Care Program	Allowability & Subrecipient Monitoring
2020-038	93.556	Promoting Safe and Stable Families	Allowability & Subrecipient Monitoring
2020-039	93.558	Temporary Assistance for Needy Families	Allowability
2020-040	93.558	Temporary Assistance for Needy Families	Reporting
2020-041	93.563	Child Support Enforcement	Allowability & Subrecipient Monitoring
2020-043	93.575, 93.596	CCDF Cluster	Special Tests
2020-044	93.575	Child Care and Development Block Grant	Allowability & Subrecipient Monitoring
2020-045	93.575	Child Care and Development Block Grant	Period of Performance
2020-046	93.658	Foster Care Title IV-E	Reporting
2020-047	93.658	Foster Care Title IV-E	Allowability
2020-048	93.658	Foster Care Title IV-E	Allowability & Matching
2020-049	93.659	Adoption Assistance	Allowability & Matching
2020-050	93.659	Adoption Assistance	Allowability
2020-051	93.659	Adoption Assistance	Eligibility
2020-052	93.667	Social Services Block Grant	Allowability
2020-053	93.778	Medical Assistance Program	Allowability
2020-054	93.778	Medical Assistance Program	Allowability & Eligibility
2020-055	93.778	Medical Assistance Program	Special Tests
2020-056	93.778	Medical Assistance Program	Allowability
2020-057	93.778	Medical Assistance Program	Special Tests
2020-058	93.778	Medical Assistance Program	Allowability
2020-059	93.898	Cancer Prevention & Control Programs for State	Allowability & Subrecipient Monitoring

Finding #	CFDA #	Federal Program	Compliance Requirement
2020-061	17.225	Unemployment Insurance	Special Tests
2020-062	12.401	National Guard Military Operations and Maintenance Projects	Cash Management
2020-063	21.019	Coronavirus Relief Fund	Allowability
2020-064	20.205	Highway Planning and Construction	Reporting
2020-065	20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	Allowability & Subrecipient Monitoring

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 2020-030, 2020-037, 2020-042, 2020-060, and 2020-066 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 2020-023, 2020-028, 2020-034, 2020-045, 2020-048, 2020-049, 2020-051, and 2020-064 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 were engaged to audit the financial statements of the State of Nebraska as of and for the year ended June 30, 2020, and have issued our report thereon dated December 17, 2020. However, the scope of our audit of the financial statements was not sufficient to enable us to express an opinion because the State of Nebraska was unable to provide sufficient appropriate audit evidence for the balance and financial activity of capital assets and the receivables and payables of the Unemployment Insurance Fund and unable to determine the proper balance for construction in progress and capital assets as well as the related activity due to numerous errors, and accordingly we did not express an opinion on such financial statements. The schedule of expenditures of Federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. Because of the significance of the matter discussed above, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Pat Reding

Lincoln, Nebraska
April 2, 2021

Pat Reding, CPA, CFE
Assistant Deputy Auditor

STATE OF NEBRASKA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

I. Summary of Auditors' Results

a) The auditor's report expresses a disclaimer of opinion on whether the financial statements of the State of Nebraska were prepared in accordance with GAAP.

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 2020-005, 2020-006, 2020-007, 2020-008, 2020-009, 2020-011, 2020-012, 2020-013, 2020-014, 2020-015, 2020-016, 2020-017, 2020-018 and 2020-021. Items 2020-001, 2020-002, 2020-003, 2020-004, 2020-010, 2020-019, and 2020-020 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 2020-023, 2020-028, 2020-034, 2020-045, 2020-048, 2020-049, 2020-051, and 2020-064.

We consider items 2020-030, 2020-037, 2020-042, 2020-060, and 2020-066 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 Twenty-First Century Community Learning Centers, CCDF Cluster, and Formula Grants for Rural Areas which were qualified and Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Cluster and Unemployment Insurance which were adverse.

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	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster
CFDA	10.558	Child and Adult Care Food Program
CFDA	14.228	Community Development Block Grants
CFDA	15.605, 15.611, 15.626	Fish and Wildlife Cluster
CFDA	17.225	Unemployment Insurance
CFDA	20.509	Formula Grants for Rural Areas
CFDA	21.019	Coronavirus Relief Fund
CFDA	64.015	Veterans State Nursing Home Care
CFDA	66.468	Drinking Water State Revolving Fund Cluster

CFDA	84.027, 84.173	Special Education Cluster (IDEA)
CFDA	84.126	Rehabilitation Services Vocational Rehabilitation Grants to States
CFDA	84.287	Twenty-First Century Community Learning Centers
CFDA	84.367	Supporting Effective Instruction State Grant
CFDA	93.069 and 93.889	Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements Cluster
CFDA	93.268	Immunization Cooperative Agreements
CFDA	93.563	Child Support Enforcement
CFDA	93.575 and 93.596	CCDF Cluster
CFDA	93.658	Foster Care Title IV-E
CFDA	93.659	Adoption Assistance
CFDA	93.775, 93.777 and 93.778	Medicaid Cluster
CFDA	97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

h) Dollar threshold used to distinguish between Type A and Type B programs: $12,015,582

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

II. Findings Related to the Financial Statements:

DEPARTMENT OF ADMINISTRATIVE SERVICES

Finding 2020-001

Capital Asset Accounting Issues

The State of Nebraska reported over $9 billion in capital assets for the primary government at the fiscal year ended June 30, 2020, in the Comprehensive Annual Financial Report (CAFR) audit. In accordance with Neb. Rev. Stat. § 81-1125.01 (Reissue 2014), the Nebraska Department of Administrative Services (DAS), State Accounting Division, prepares the CAFR, which must be completed "at least twenty days before the commencement of each regular session of the legislature[.]" DAS compiled information from the State accounting system and requested State agencies to report accrual items, not contained within the accounting system, for inclusion in the CAFR. As in previous audits, DAS failed to perform adequate procedures to ensure capital assets were recorded properly on the financial statements, causing errors of at least $276 million. Due to the numerous errors and the inability of DAS to provide sufficient audit evidence for the capital assets financial activity, the Auditor of Public Accounts (APA) issued a disclaimer of opinion on the financial statements.

The APA has reported similar issues since the 2015 audit, with little if any resolution or corrective action taken – such as adequate training of agency staff to ensure assets recorded in the system or reported to DAS are proper and complete – for the errors noted.

In order to ensure the CAFR's timely completion, the APA requested a list of items to be prepared by DAS and submitted to the APA for testing. Though due on November 2, 2020, CIP documentation was not provided until December 1, 2020, nearly one month late. Similar timing issues were noted for the capital asset footnote, journal entries, and construction commitments documentation. All of these items were provided in December, leaving the APA with limited time for adequately reviewing the support, as the CAFR was due December 17, 2020.

To assist in reporting CIP in the financial statements, DAS created a new accrual form for agencies to report CIP still in process and those projects completed during the year. However, upon reviewing the forms submitted and the CIP worksheet, the APA noted that several agencies – one of which had projects in process – did not return the form. Additionally, DAS did not use some of the forms received for financial reporting.

The APA's limited initial review revealed other significant issues with the CIP worksheet. For instance, DAS did not research or compare amounts reported by agencies to information contained in the State's accounting system. Instead, staff merely accepted the forms without requesting any supporting documentation, leaving the APA to contact the agencies for support late in the audit. When the APA questioned why the CIP worksheet had been provided late, with significant errors and no documentation on file to support the amounts from the agencies, DAS could respond only that the new form caused unspecified delays.

Due to the pervasive errors in the CIP worksheet provided – exacerbated by DAS' lack of adequate documentation to support the calculation therein – and the time constraints for completing the CAFR in accordance with State law, the APA was unable to perform a full review of CIP. Nevertheless, limited testing by the APA revealed that at least $135 million had been reported inaccurately.

The table below details the CIP adjustments required due to the errors found by the APA:

	Beginning Balance	Additions	Deductions, Including Completed CIP	Ending Balance
Reported by DAS	$ 282,756,562	$ 91,414,818	$ 61,445,501	$ 312,725,879
Adjusted by APA	$ 275,150,537	$ 92,201,285	$ 189,940,709	$ 177,411,113
Misstatement	**$ (7,606,025)**	**$ 786,467**	**$ 128,495,208**	**$ (135,314,766)**

During testing of CIP, we noted these other concerns as well:

- DAS did not run a general ledger detail of CIP accounts in the accounting system to compare to the agency accrual response forms, which resulted in errors being reported. For instance, DAS recorded $1,124,100 for software licensing subscriptions as CIP; however, the agency recorded the expense appropriately as an operating expenditure in the accounting system. Furthermore, two agencies reported CIP on the accrual response forms, which also agreed to the expenses in the accounting system for $2.5 million, but DAS did not include the projects on the worksheet.

- DAS did not consider payables recorded for the fiscal year 2020 CAFR for inclusion in CIP.

- DAS stated that there were no projects with retainage; however, during our limited review, the APA noted that at least $2.5 million in retainage was not recorded.

- DAS did not include $387,526 in its own agency project's expenses. Furthermore, a project of $6.7 million included on the worksheet for DAS was completed, but it was not removed from CIP.

- Several agencies reported completion dates of CIP, but the assets were not removed properly from the worksheet. For instance, the Game and Parks Commission provided asset tag numbers for projects completed and capitalized. The APA reviewed the accounting system to determine projects not removed properly from CIP. This procedure was not performed by DAS. One Veterans' Affairs building was open to the public in January 2019, but it still showed on the CIP worksheet for $98 million. A similar issue was noted for a Department of Corrections building for $15.8 million.

DAS also prepared several worksheets for capital assets recorded in the State's accounting system. The worksheets included land, buildings, and equipment capitalized for the State. The worksheets were generally prepared using the State's accounting system, with some manual adjustments. There were several substantial spreadsheet errors, including inaccurate beginning balances, amounts not removed properly from CIP and added to capital assets, and incorrect depreciation.

The following table details the spreadsheet errors noted:

	Beginning Balance	Additions	Ending Balance	Ending Balance
Buildings		*Capital Asset*		*Depreciation*
Initial Calculation	$ 709,046,207	$ 6,450,948	$ 715,497,155	$ 371,142,834
Final Calculation	$ 830,459,954	$ 8,221,931	$ 838,681,885	$ 371,637,409
Total Errors	**$ 121,413,747**	**$ 1,770,983**	**$ 123,184,730**	**$ 494,575**
Equipment		*Capital Asset*		*Depreciation*
Initial Calculation	$ 473,791,115	$ 55,120,760	$ 514,150,665	$ 385,406,910
Final Calculation	$ 474,798,321	$ 53,407,242	$ 513,444,353	$ 383,295,944
Total Errors	**$ 1,007,206**	**$ (1,713,518)**	**$ (706,312)**	**$ (2,110,966)**

	Beginning Balance	Additions	Ending Balance	Ending Balance
Equipment-Internal Services-Buildings		*Capital Asset*		*Depreciation*
Initial Calculation	$ 1,632,819	$ 338,177	$ 1,949,200	$ 1,053,785
Final Calculation	$ 4,758,719	$ 1,333,032	$ 6,069,955	$ 1,043,630
Total Errors	**$ 3,125,900**	**$ 994,855**	**$ 4,120,755**	**$ (10,155)**
Equipment-Internal Services General Services		*Capital Asset*		*Depreciation*
Initial Calculation	$ 7,241,916	$ 7,266,591	$ 13,903,326	$ 5,658,093
Final Calculation	$ 7,241,916	$ 584,825	$ 7,221,560	$ 4,939,219
Total Errors	**$ -**	**$ (6,681,766)**	**$ (6,681,766)**	**$ (718,874)**
Equipment-Internal Services-Office of CIO		*Capital Asset*		*Depreciation*
Initial Calculation	$ 62,635,298	$ 6,552,242	$ 67,296,562	$ 57,493,956
Final Calculation	$ 62,635,298	$ 6,552,242	$ 67,296,562	$ 55,997,093
Total Errors	**$ -**	**$ -**	**$ -**	**$ (1,496,863)**

Other issues noted during testing of capital assets were as follows:

- DAS recorded the internal service fund journal entries improperly, causing a decrease to expenditures that was not incurred during the fiscal year. This required an adjustment of $6,884,564.

- The construction commitment worksheet used to generate the footnote disclosure was not complete and accurate. The worksheet did not calculate properly the funding sources and contained other issues, resulting in errors of $9.6 million.

- One DAS asset tested did not have support for the date acquired, which drives the calculation of depreciation expense. The asset totaled $2,290,642, with costs added in fiscal year 2020, totaling $1,623,685, yet the date acquired was in 2015.

- DAS did not have a capitalization policy for improvements to land. A similar finding was reported in the previous audit. In order for agencies to record improvements properly, a statewide policy is necessary for uniformity of financial reporting.

- The accumulated depreciation for enterprise funds was understated by $238,516 due to an error in the calculation.

As noted above, errors were also made by several agencies. Those agencies include the Nebraska Department of Transportation, the Nebraska Department of Veterans' Affairs, the Nebraska Department of Correctional Services, the Nebraska Game and Parks Commission, and the Nebraska Department of Health and Human Services. These errors are explained in more detail below.

Department of Transportation (NDOT)
NDOT provided DAS with infrastructure costs for completed projects and projects still in process to be recorded as CIP. NDOT had several errors in the worksheet used to support the calculations, as follows:

	Beginning Balance	Additions	Deductions – Including Completion of CIP	Ending Balance
Infrastructure				
Initial Calculation	$ 7,622,534,680	$ 98,863,737	$ -	$ 7,721,398,417
Final Calculation	$ 7,697,493,583	$ 22,841,102	$ -	$ 7,720,334,685
Total Errors	**$ 74,958,903**	**$ (76,022,635)**	**$ -**	**$ (1,063,732)**
CIP				
Initial Calculation	$ 237,965,232	$ 37,945,365	$ 96,672,537	$ 179,238,060
Final Calculation	$ 62,953,918	$ 37,858,297	$ 20,563,369	$ 80,248,846
Total Errors	**$ (175,011,314)**	**$ (87,068)**	**$ (76,109,168)**	**$ (98,989,214)**

NDOT capitalized assets for the calendar year instead of the fiscal year, causing beginning balance adjustments for both infrastructure and CIP. NDOT determined that the CIP beginning balance was overstated by $99,869,441 for three projects that should have been removed from CIP in fiscal year 2019. Additionally, NDOT determined that the CIP worksheet did not agree to NDOT's listing of projects still in process, and an additional adjustment of $75 million was required. However, NDOT was unable to provide sufficient evidence for the difference; therefore, it is unknown if CIP was overstated and the difference needed to be removed due to duplicate entries, or if it should have been reported as infrastructure for completed projects in the current year, as a beginning balance adjustment, or recorded as an expense. Additional errors were noted in the worksheet, including system preservation costs being understated by $5 million and other computation errors.

Department of Veterans' Affairs (VA)
The VA did not capitalize a building, totaling $98,292,179, in a timely manner. The asset was completed in January 2019 and, therefore, should have been included as an asset in fiscal year 2019, but it was still in CIP in fiscal year 2020. The VA acknowledged lacking experience with the CIP reporting.

Department of Correctional Services (DCS)
The DCS did not capitalize a building, totaling $15,826,426, in a timely manner. The asset was completed in April 2019 and, therefore, should have been included as an asset in fiscal year 2019, but it was still in CIP in fiscal year 2020. The DCS stated that it had discussions with DAS regarding the capitalization of the building; therefore, DAS should have been aware that the project was completed for purposes of financial reporting.

Game and Parks Commission (Commission)
The Commission did not capitalize four assets in a timely manner, resulting in $8,132,608 in errors.

- Two assets, totaling $232,341, were completed on July 31, 2018, and should have been removed from CIP and included as a capital asset in fiscal year 2019, but they were still included in CIP in fiscal year 2020. The Commission had not recorded them to the capital asset ledger in the accounting system timely.

- One asset, totaling $6,794,779, opened to the public on May 18, 2019, and should have been added to the capital assets and removed from CIP in fiscal year 2019, but it was still in CIP in fiscal year 2020. The Commission had not recorded it to the capital asset ledger in the accounting system timely.

- One asset, totaling $1,105,488, was completed on October 1, 2019, in fiscal year 2020, but the Commission entered the completion date in the accounting system as September 21, 2020, fiscal year 2021. Therefore, it was not removed from CIP and added as a capital asset in fiscal year 2020.

Department of Health and Human Services (DHHS)
DHHS did not capitalize three software projects in accordance with GASB 51. Instead, DHHS recorded the expenditures as operating expenses. During discussion with the APA in October, DHHS explained that the three projects involved software capitalization, but DHHS had not analyzed the actual capital costs or submitted these expenses to DAS with the accrual response form. One system was identified and discussed with DHHS during the previous audit, but no corrective action was taken to record the expenditures properly as CIP. The total expenditures during fiscal year 2020 were $6,404,762. The contract also had 10% retainage held, totaling $1,672,089, during the fiscal year, which was also not reported to DAS and, therefore, not recorded as a liability or included in CIP.

The APA notified DAS of the additional systems in October 2020, so they could be included on CIP. DAS did not perform further procedures or inquires with DHHS until December 4, 2020, when the APA inquired as to why the systems were not included on the CIP worksheet. After further inquiry, on December 9, 2020, six business days before the CAFR was statutorily required to be completed, DHHS stated that the two systems should not be capitalized. No further documentation was provided to substantiate this statement. Therefore, it is unknown if costs should have been added to CIP, as neither the follow-up performed by DAS nor the response provided by DHHS was timely. Expenditures for fiscal year 2020 for the two systems totaled $1,960,529 and $965,000, respectively.

Good internal controls and sound accounting practice require procedures to ensure that capital asset activity is recorded accurately and supported by adequate documentation.

Without such procedures, there is an increased risk for material misstatements.

> We recommend DAS implement procedures to resolve the repeated audit finding and ensure that capital asset activity is accurate and complete before forwarding the information to the APA, and not rely on the APA's examination to identify and correct errors. This includes offering support and training to agencies, as well as reviewing the information that agencies provide. Finally, we recommend DAS ensure that capital asset information is presented to the APA in a timely manner.

Department of Administrative Services Response: State Accounting agrees that strengthening procedures, agency support, and training around the preparation of capital asset information will increase the completeness, accuracy, and timeliness of the report.

State Accounting will partner with agencies and provide training specifically in the areas of preparing capital asset information.

Department of Transportation Response: We concur with the Auditor's recommendations as they relate to NDOT. NDOT will coordinate closely with DAS in the future to make improvements to internal processes. The Budget Analyst position that has historically been assigned to take lead on compiling the necessary information has turned over multiple times over the years which has led to a lack of clear and consistent documentation regarding the timing of project substantial completion and as a result reporting was handled differently (i.e. calendar year vs. fiscal year) from year to year. Prior to the beginning of fiscal year 2022, NDOT will develop new Standard Operating Procedures and update other internal financial procedure manuals which make clear the timing of project completion is on a fiscal year basis for CAFR reporting in order to reduce confusion going forward.

Current data retrieval tools used by NDOT includes only projects which have cost during the fiscal year. There are instances where a project is put on hold and becomes inactive after the initial study resulting in the cost never being capitalized or expensed. Based on the current process, this resulted in a large work in process balance. Going forward NDOT will generate a list of the projects which make up the work in process. Each year when the data is pulled the projects will be compared to the current work in process listing and any differences will be reviewed and properly accounted. By keeping a listing of the current work in process projects NDOT will be able to use it to determine when a current work in process project should be expensed.

Game and Parks Commission Response: We would concur that the 4 assets identified for Game and Parks were not capitalized in a timely fashion. We will continue to work with DAS Accounting to ensure clarification of definitions, processes and timing are improved. We have corrected/posted the items at this point and will ensure they are not included on the CIP report for FY21.

We would note that for the first point (two assets – CXT toilet and CXT shower/latrine buildings at Eugene T. Mahoney State Park) the July 31, 2018 date reflected the purchase/receiving of the two prefab buildings. Actual installation completion (payment of final bill) did not occur until 11/15/2018 so that is the date we have utilized to record the Asset in E1. The second point related to the Schramm Education Center, and while the facility had an initial opening on May 18, 2019, final payments and punch lists were not complete until 2/20/2020. That is the date we have utilized to record the Asset in E1. The last point related to the Spray Park feature at Platte River State Park. We have utilized the suggested date of 10/1/2019 for recording the asset in E1.

APA Response: For the toilet and shower/latrine buildings, regardless of whether the assets should have been capitalized in July or November 2018, the assets should have been a fiscal year 2019 asset, but were not. As for the Schramm Education Center, it was opened to the public in May 2019, and therefore it appears May 2019, would be the proper date of completion for the asset for financial statement presentation.

Finding 2020-002

Errors in CAFR Preparation

The Department of Administrative Services (DAS), State Accounting Division (DAS – State Accounting), prepares the State of Nebraska Comprehensive Annual Financial Report (CAFR). The financial statements were not accurate and were not prepared in accordance with governmental accounting standards. Additionally, there was not an adequate secondary review to ensure that entries were accurate prior to being submitted to the Auditor of Public Accounts (APA) to audit. As a result, DAS materially misstated financial statement entries, footnote disclosures, and other supporting documentation, requiring numerous adjustments and revisions.

The table below summarizes the amount of over **$21 billion** in errors for the fiscal year ended June 30, 2020. These errors would affect multiple line items and financial statements of the CAFR. This amount is particularly concerning because an audit is performed by testing only a limited number of transactions; therefore, it is reasonable to assume that additional errors went undetected.

Description		Dollar Error	Reason
Financial Statement Errors:			
1	Agency Fund Financials – Local Gov't	$ 677,475,089	Insufficient procedures to properly record activity
2	Unemployment Insurance (UI) Fund	$ 593,574,567	See separate Comment Number 2
3	Capital Asset & Construction in Progress	$ 270,395,854	See separate management letter dated 12/17/20
4	DHHS Receivable & Payable Accruals	$ 106,690,440	See separate Comment Number 3
5	University & State College Statements	$ 45,667,244	Elimination entries were not properly recorded
6	Accounts Receivable Analysis	$ 41,698,414	Amounts not recorded & errors
7	Beginning Balance Adjustments	$ 34,203,495	Amounts not recorded & errors
8	Permanent Funds Restricted Principal	$ 26,595,342	Not all activity included in entry, similar to FY 2019
9	Special Revenue Equity Analysis	$ 18,270,954	Misclassified as restricted
10	Accounts Payable Analysis	$ 17,162,625	Duplicated 7 batches & improper accrual for 1 entry
11	Agency Fund Financials – Other	$ 16,288,423	Securities lending collateral/obligations overstated
12	Liability Due to Federal Government	$ 14,376,307	Duplicate entry
13	Securities Lending	$ 9,096,340	Reversing entries caused misstatements
14	Securities Lending Activity Miscoding	$ 6,103,202	Recorded to wrong fund
15	Accounts Payable Analysis	$ 5,321,701	One agency not accounted for
16	Transfers	$ 4,535,004	Misclassified as expenditures
17	Net Pension Expense Allocation	$ 4,331,000	Allocation was not proper by function
18	Bond Proceeds	$ 3,801,307	Duplicate entry & overstatement of offset account
19	Federal Fund Expenditures	$ 3,113,400	Overstated due to duplicate entry
20	Compensated Absences	$ 3,016,510	Errors in the calculation
21	Equity Analysis	$ 2,864,600	Staff error overstating beginning balance & receivable
22	Retainage Payable	$ 2,531,252	Amounts not recorded
23	HSS Fund – Due to Fund Balance	$ 1,874,084	Existing balance from FY 2018 not reversed
24	General Fund – Deposits Balance	$ 1,874,084	Existing balance from FY 2018 not reversed
25	Federal Accounts Payable	$ 1,847,905	Understated due to misclassification
26	Private Purpose Trust Funds – Other	$ 1,707,798	See separate Comment Number 5
27	Highway Fund – Accounts Receivable	$ 1,329,989	Existing balance from FY 2017 not reversed
28	Receivable from Federal Government	$ 1,315,331	Overstated due to errors in agency accruals
29	Improper Adjusting Entry	$ 1,130,553	APA-proposed adjustment was recorded improperly
30	HSS Fund – Due from Fund Balance	$ 1,074,640	Existing balance from FY 2019 not reversed
31	General Fund - Cash Balance	$ 1,002,893	Existing balance from FY 2018 not reversed
32	Highway Fund Receivables	$ 554,074	Was not updated for change in the receivable
33	Highway Fund Revenues	$ 316,500	Recorded as due to vendor, but should be tax revenue
34	Donated PPE	$ 292,392	Insufficient staff review causing overstatement
35	Agency Fund Financials – Other	$ 170,719	Liability miscoding
36	Due to Fund Allocation Analysis	$ 85,103	Amounts not recorded
37	Loan Activity Reclassification	$ 26,625	Not included
38	Due to Fund/Accounts Payable Analysis	$ 19,350	Amounts not recorded
39	Federal Fund Elimination Entry	$ 15,585	Amounts not recorded
	Total Financial Statement Errors	**$ 1,921,750,695**	

Footnote Errors:			
40	Deposits & Investments Portfolio	$ 13,272,497,979	Misclassification in the credit ratings
41	Noncurrent Liabilities	$ 49,000,000	Understated Increases/Decreases due to staff error
42	Receivables Net of Allowances	$ 40,000,000	Not updated for adjustments to agency accruals
43	Construction Commitments	$ 9,772,582	See separate management letter dated 12/17/20
44	Lease Commitments	$ 9,410,000	Improper future lease calculations
	Total Footnote Errors	**$ 13,380,680,561**	
Other Errors:			
45	Budgetary Schedule – Cash Fund	$ 4,937,400,000	Errors in the calculation
46	Budgetary Schedule – General Fund	$ 906,848,771	One fund was missing
47	Reconciliation of Revenues	$ 123,146,381	Reconciliation did not agree to accounting system
48	Workers Compensation Allocation	$ 85,457,705	Analysis did not include all activity
49	OIP Income Reconciliation	$ 3,263,107	Did not agree to E1, one entry was not posted
50	Cash & Cash Equivalents Reconciliation	$ 2,625,191	FDIC coverage not documented adequately
51	Fund and Business Unit Coding	$ 270,000	Staff did not set up the funds/functions appropriately
52	Bank Reconciliation Procedures	$ 6,756	Improper reconciling items & lack of timely review
	Total Other Errors	**$ 6,059,017,911**	
	TOTAL ERRORS	**$ 21,361,449,167**	

Several errors noted above required multiple revisions before the documentation was presented accurately, causing significant time and work by the APA. The following are a few examples of such corrections – keeping in mind that the list of revisions is far from comprehensive.

- For #1, the agency fund financials for local government required four revisions. The APA identified all of the errors and brought them to the attention of DAS. During one revision to fix an error of $595,000, DAS made an additional error of $674,660,800 that went undetected by its staff.

- For #6, the APA was provided with four versions of the accounts receivable analysis. DAS did not perform a complete review of all accounts receivable, causing significant revisions.

- For #7, the APA was provided with six versions of the beginning balance adjustment analysis. DAS did not perform a complete review of all prior period adjustments, miscoded transactions, and duplicated activity within the entry.

- For #41, the APA was provided with at least three versions of the noncurrent liabilities footnote. One of the revisions was due to the miscalculation of claims payable. The APA had brought up the issue for DAS to review in July 2020, as well as multiple times thereafter; however, when the footnote was received, the issues had not been addressed.

- For #45 and #46, the APA was provided with four versions of the budgetary schedules. General Fund activity was not reported accurately, as one fund was missed. Additionally, the Cash Fund reconciliation had to be revised several times for errors in the computation.

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[.]" For the fiscal year 2020 audit, the CAFR was due on December 17, 2020. In order to ensure that the CAFR would be completed timely, the APA requested a list of items to be prepared by DAS – State Accounting and submitted to the APA for testing. Of those requested items, 72 were submitted more than seven days after the dates specified on the list, ranging from 8 to 70 days late. Of the late items, 17 were due in November but not provided until December – two of them being delayed until December 9, 2020, six business days prior to the due date of the CAFR. Furthermore, the first draft of the CAFR was due on December 1, 2020, but not provided until December 8, 2020. The APA received seven versions of the draft report prior to completion of the audit.

During the audit, we also noted the following procedural issues:

- 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 $2,755,000 of laptops and hardware storage equipment and assigned the assets a useful life of three years within the State's accounting system; however, the financing period of the leases were four and five years. Per the State of Nebraska's Master Lease Purchase Program Policy (February 12, 2003), repayment terms "Will be negotiated for each equipment group with a term not to exceed the expected life of the equipment being leased." (pg. 3)

- The statistical section of the report was not accurate for several schedules and required revisions. The Ten Largest Employers had incorrect employment totals; the Public Higher Education Institutions Total Fall Headcount Enrollment numbers did not agree to the prior CAFR; and the Operating Indicators by Function was not updated timely for State Patrol traffic stops.

- The bank reconciliation performed by DAS had several reconciling items that were incorrect or not followed up on in a timely manner. Some of those reconciling items dated back to 2011. Additionally, $79,825 in unapplied cash transactions needed to be reviewed and resolved. Lastly, there was no secondary review by supervisory staff to ensure the reconciliation was accurate and complete.

Similar findings related to errors in the preparation of the CAFR have been noted since the fiscal year 2007 audit. DAS – State Accounting did make correcting entries for all material amounts proposed by the APA.

Good internal control and sound business plans require procedures to ensure: 1) an adequate review of draft financial reports and information used to prepare the CAFR, including the information provided by other State agencies; and 2) sufficient staffing resources to meet the requirements of State statute.

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

> We recommend DAS implement procedures to ensure internally prepared information is complete, accurate, and submitted timely to the auditors. This includes preventing the reoccurrence of mistakes made in multiple prior years. Staff must be adequately trained to accomplish this. 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 that staff training will increase the completeness, accuracy, and timeliness of prepared CAFR information. The size of the CAFR preparation team was increased by 20 percent. Forty percent of the CAFR team prepared report information for the first time, and all teammates gained valuable experience. Training will continue leading up to and through the next CAFR cycle.

State Accounting will partner with the APA and provide agency specific training specifically in the areas of preparing accounts payable and receivable accruals, and capital asset information. DAS intends to partner with agencies to increase their internal resources dedicated to preparing CAFR information. Additional efficiencies will be realized from updated CAFR preparation software placed into production on January 27, 2021.

Finding 2020-003

Unemployment Insurance Fund Issues

DAS lacked procedures to ensure the Unemployment Insurance (UI) Proprietary Fund financial statements were presented accurately for the CAFR. Both DAS and the Nebraska Department of Labor (NDOL) performed entries within the accounting system to generate the financial statements. However, those financial statements required material adjustments.

For the errors detailed in the table below, the APA proposed adjustments to ensure that the financial statements would be reflected properly. Due to the implementation of limited or no corrective actions, similar issues have been reported since the 2018 audit.

Description	Misstatement Amount	Reason
Benefits Payable	$ 296,242,317	The NDOL benefits payable was not calculated accurately. Assumptions using the last three months of claims paid in the fiscal year were used to calculate the estimate. However, this inflated the payable, as only $12 million had been paid through November 18, 2020, and NDOL indicated it had caught up in the payments to individuals. Neither NDOL nor DAS identified the issue until it was raised by the APA and corrected at that time.
CARES Act Due to/from Funds	$ 167,908,114	The State approved the replenishment of the UI fund with CARES Act funds on July 9, 2020, for benefits paid from March 15 through June 30, 2020. DAS did not record the activity in the FY 2020 UI financial statements until questioned by the APA, at which time the amount was recorded as a due to fund in the Federal fund and due from fund in the UI fund and corresponding revenue.
Benefits Payable/ Benefits Receivable	$ 93,242,673	NDOL entered a payable and receivable twice in the accounting system, creating negative balances in both of $93 million. Neither NDOL nor DAS performed procedures to identify the issue in the trial balance. DAS corrected the error after the APA proposed an adjusting entry.
EUISAA (Emergency Unemployment Insurance Stabilization and Access Act) Revenue/Payable	$ 12,145,290	Revenue of $6,072,645 and a payable to the Federal government for $4,128,834 were recorded in the UI fund, instead of the Federal fund. Furthermore, transfers of $1,943,811 between the funds should have been eliminated. The APA proposed an adjustment, but DAS did not record the correcting entry.
Payable/ Receivable Eliminations	$ 11,436,600	NDOL recorded a payable and receivable within the UI fund in the accounting system. DAS did not have procedures to eliminate the activity for the financial statements. DAS corrected the error after the APA proposed an adjusting entry.

Description	Misstatement Amount	Reason
Expenditures/Benefits Payable	$ 6,175,059	NDOL did not ensure transfers in and out agreed between funding sources. DAS reclassified inappropriately the remaining difference as an expenditure for $6,175,059. The proper entry should have reduced benefits payable, as the payable established by NDOL on June 30 should have been eliminated due to timing differences in the general ledger. DAS corrected the error after the APA proposed an adjusting entry.
CWC Receivable	$ 3,022,038	NDOL records a Combined Wage Claim receivable annually in a separate account code in the accounting system. The receivable for fiscal year 2020 of $3,022,038, was not recorded until brought to its attention by the APA. DAS did not perform procedures to identify the lack of the receivable.
Other Revenues/ Accounts Payable	$ 1,659,773	A prior year entry was reversed in fiscal year 2020, causing the balances in other revenues and payables to be improper. DAS corrected the error after the APA proposed an adjusting entry.
Accounts Payable/ Benefits Payable	$ 1,564,450	A prior year entry was reversed in fiscal year 2020, causing a negative balance in accounts payable. The proper entry should have reduced benefits payable, as the payable established by NDOL on June 30 should have been eliminated due to timing differences in the general ledger. DAS corrected the error after the APA proposed an adjusting entry.
Transfers/Due to Funds	$ 130,853	DAS eliminated a transfer out, as the corresponding transfer in was not recorded until the following fiscal year by NDOL. The timing issue had been discussed with both DAS and NDOL for several years, but no corrections have been performed to categorize the activity correctly.
Accounts Receivable	$ 47,400	NDOL recorded allowances for doubtful accounts of $47,400 within the accounting system; however, these are not reflected correctly in the financial statements by DAS.
Total Misstatement	**$ 593,574,567**	

Lastly, the NDOL calculated a benefit overpayment receivable based on a report from its benefit system. The report was for established overpayments as of June 30, 2020, for $8.6 million. During fiscal year 2020, due to the COVID-19 pandemic, the NDOL paid over 10 times the annual benefits for unemployed individuals as in a normal year. As noted in the separate early communication letter to NDOL dated December 16, 2020, the NDOL was behind in its review and research of potential fraudulent claims, totaling nearly $37 million. The NDOL and DAS did not consider further receivables and subsequent payables to the Federal government as necessary for the financial statements. It could only be assumed there would be other unrecorded receivables and subsequent payables not yet accounted for in the benefit system. Neither NDOL nor DAS could come up with a reasonable estimate due to unknown factors, including lack of research performed to identify further fraudulent claims. Therefore, no further receivable or payable was recorded in the financial statements, requiring a disclaimer of opinion to be issued by the APA.

Good internal controls and sound accounting practice require procedures to ensure that documentation used to prepare the financial statements is accurate and complete.

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

> We recommend DAS work closely with NDOL to implement procedures for the proper calculating and reporting of the UI fund for the CAFR. Furthermore, we recommend DAS implement procedures for staff review of documentation, including the trial balance, when completing the financial statements.

DAS Response: NDOL and DAS administrations experienced unprecedented challenges brought about by the COVID-19 pandemic. Those challenges, coupled with the implementation of a new unemployment benefits system, hindered the reporting process.

State Accounting will work with NDOL to refine existing procedures for reporting Unemployment Insurance CAFR numbers. NDOL has already implemented new reporting elements in the unemployment benefits system specific to CAFR reporting.

Finding 2020-004

Agency Accrual Errors

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 by August 14, 2020. DAS approved an extension for the Nebraska Department of Health and Human Services (DHHS) to September 15, 2020, even after the APA's discouragement due to pervasive errors with the accruals in past audits. Even with the extension, DHHS did not provide all of its accrual response forms until October 8, 2020, and never provided its construction in progress accrual response form.

DAS lacked procedures for obtaining support for, as well as reviewing for accuracy, the accrual information submitted; instead, due to inaccurate information provided by DHHS, DAS prepared and posted journal entries containing material errors. Those faulty journal entries required adjustments to be proposed by the APA to ensure that financial reporting was accurate. Due to the implementation of limited or no corrective actions, similar issues have been reported since the 2007 audit.

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	Misstatement Amount	Reason
Disproportionate Share Hospital (DSH) Payable	$ 53,789,443	DHHS provided two incorrect versions of the payable prior to the APA determining the final proposed adjustment. The first calculation included only $851,431, materially understating the payable.
Medicaid Drug Rebate (MDR) Receivable	$ 18,717,003	DHHS provided two incorrect versions of the receivable prior to the APA determining the final proposed adjustment. The first version significantly understated the payable due to, in part, the reporting being as of July 31, 2020, instead of June 30, 2020.

Description	Misstatement Amount	Reason
Patient & County Billings Payable	$ 8,738,172	DHHS overstated the receivable, mainly due to incorrect and unsupported allowances for doubtful accounts.
Managed Care Organization (MCO) Payable	$ 6,308,703	DHHS reported the payable incorrectly on its accrual response form, and DAS posted the entry after DHHS claimed to have informed DAS of the error.
State Rx Payable	$ 5,809,508	DHHS reported the payable on its accrual response form, but the payable was already recorded in the accounting system. This doubled the payable.
NFOCUS Receivable	$ 5,336,634	DHHS overstated the receivable due to, in part, not including an allowance for doubtful accounts for Supplemental Nutrition Assistance Program (SNAP) overpayments.
Third Party Liability (TPL) Receivable	$ 5,028,526	DHHS overstated the receivable due to miscalculating the estimate over 12 months instead of 45 days.
Program Integrity (PI) Receivable	$ 1,535,016	DHHS provided three incorrect versions of the receivable prior to the APA determining the final proposed adjustment.
NFOCUS Payable	$ 736,463	DHHS used incorrect Federal matching percentages, causing the misstatement.
Indirect & Direct Medical Education (IME/DME) Payable	$ 690,972	DHHS used incorrect Federal matching percentages, causing the misstatement.
Total Misstatement	**$ 106,690,440**	

Good internal controls and sound accounting practice require procedures to ensure that documentation used to prepare the financial statements is accurate and complete.

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

We recommend DAS work closely with DHHS to train staff and implement procedures for properly calculating and reporting accruals for the CAFR, including fixing repeated errors. Furthermore, we recommend DAS implement procedures for the review of documentation prior to use in financial reporting. Additionally, we recommend DAS ensure all accruals are remitted timely, reducing extensions of the due dates thereof.

DAS Response: State Accounting agrees that an increased understanding of proper calculation and reporting of accruals is necessary for the DHHS staff. State Accounting did reduce the extension given to DHHS for reporting 2020 accruals and will continue to work with DHHS to get their accruals remitted timely.

State Accounting will partner with the APA and provide specific training on the payables and receivables noted above. DAS intends to partner with DHHS to increase their internal resources dedicated to preparing CAFR information.

Finding 2020-005

Lack of Financial Statement Reconciliation

Once more, DAS failed to reconcile the Schedule of Expenditures of Federal Awards (SEFA) to the financial statements. Expenditures of $2.9 billion were recorded to the Federal fund in the financial statements for the fiscal year ended June 30, 2020.

Good internal controls require procedures for reconciling the SEFA to the financial statements to ensure that the schedule and financial statements are complete and accurate.

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

A similar finding was noted in the previous audit.

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

DAS Response: State Accounting is currently working on a reconciliation between the 2020 SEFA and 2020 CAFR.

Finding 2020-006

Human Resources User Role 65 & E1 Pay Rate Override

During the audit, we noted 329 payroll batches that were prepared, approved, and posted by a single DAS employee.

The Human Resource User Role 65 (HR 65) in EnterpriseOne (E1), the State's accounting system, was used by the Department to perform the final update processing for payroll. Six of the eight DAS employees with HR 65 access, were also able to prepare, approve, and post their own batches in E1. As a result of this access, we noted 329 payroll journal entries and vendor payroll deduction batches, including batches that contained DAS payroll, that were prepared, approved, and posted by a single DAS employee.

Additionally, we noted 997 users with access to add, change, and delete information in the Speed Time Entry screen in E1, which provided the ability to override pay rates, including their own, without approval. The Department did implement a process to review agency pay rate overrides starting in February 2020.

The Auditor of Public Accounts (APA) reviewed the override query for one pay period and noted over 27,600 overrides for 10 State agencies, with 27,535 overrides related to two of these agencies. The Department reviewed only three overrides related to one agency, which was inadequate to ensure that the overrides were appropriate.

Good internal control requires procedures to ensure an adequate segregation of duties, so at least two individuals are involved in processing payroll payments, and no one has the ability to adjust his or her own pay rate.

A lack of such procedures increases the risk of loss or misuse of State funds due to fraudulent activity within E1.

A similar finding was noted in the previous audit.

> We recommend the Department implement procedures to ensure any batches involving payroll are processed by at least two individuals. We also recommend the Department review options for disabling the ability of users to override pay rates, or implement adequate compensating controls to identify and review instances of overrides to pay rates.

Department Response:

Human Resource User Role 65: State Accounting has established compensating controls incorporating procedures to review the activity of those DAS employees assigned User Role 65, who have responsibility for processing internal payroll batches. DAS continues to work to minimize the number of times payroll batches are processed by one person.

E1 Pay Rate Override: State Accounting has established procedures to periodically review the use of pay rate overrides. Any entry that looks questionable is brought to the State Accounting Administrator's attention so further action can be considered. Of the 27,535 records noted, 932 were actual overrides. All appeared to be needed to record on call hours paid at rates between $1.11 and $2.63 per hour. State Accounting will review the Kronos interface process to determine if false positives can be eliminated.

Finding 2020-007

E1 Special Handle a Voucher

The Special Handle a Voucher Function (Function) in E1 allows users to change the payee of a payment voucher without going through the batch management process. The Function is used by the following:

- The Department to provide support to agencies, so payments can continue in a timely manner if the agency lacks adequate personnel to process a transaction;

- The Department to process replacement warrants; and

- State agencies to correct vouchers without having to void and recreate another voucher.

We noted several issues with the Function in E1, including the following:

- Access to the Function is not restricted to only high-level users. Access was available, instead, to users who had access to Accounts Payable (AP) roles 20, 21, 30, 40, 41, 50, and 51. Essentially, anyone who had access to AP in E1, with the exception of inquiry-only access, was able to use the Function. Due to the type of activity that can be performed with this access, we believe access should be restricted to only a limited number of high-level users. Our review noted that 808 users had access to the Function as of March 11, 2020.

- Users with the ability to add vendors and change vendor information in E1 also had access to the Function. The Address Book (AB) 50 role allowed users to add venders and make changes to vendor information. All six users with AB 50 access also had access to the Function, creating an environment in which a user could set up fictitious vendors in the system or improperly change vender information and then change payee information on vouchers to direct payment to the fictitious/modified vendor.

The Department stated it uses the payee control-approval process in E1, a required step in payment processing, to review and approve vendor changes made through the Function; however, we noted the following issues related to the payee control-approval process:

- All eight users with access to the payee control-approval process also had access to the Function. Thus, these users could change a payee on a voucher and then approve it, without involvement of a second person, resulting in a lack of segregation of duties.

- One user with access to the payee control-approval process also had access to the Function and could add vendors or change vendor information in E1.

Nebraska Information Technology Commission (NITC) Standards and Guidelines, Information Security Policy 8-303 (July 2017), "Identification and authorization," states, in relevant part, the following:

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

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

Without such procedures, there is an increased risk for errors or fraud to occur and remain undetected.

A similar finding was noted in the previous audit.

> We recommend the Department implement procedures to ensure an adequate segregation of duties. Such procedures include: 1) restricting Function access to only certain high-level users; 2) removing access to the Function for users with the ability to add vendors and make changes to vendor information in E1; 3) maintaining documentation to support review/approval of vendor changes through the payee control approval process; and 4) preventing users with access to the payee control approval process from accessing the Function and/or adding/changing vendor information in E1.

Department Response: State Accounting will continue to review compensating control processes and procedures related to Payee Control and Special Handle a Voucher functions. As noted in the finding, only one user has access to the payee control-approval process, Special Handle a Voucher, and vendor address book records. If the vendor/payee is changed on a voucher, another user does complete a review and documentation from the agency is retained.

Finding 2020-008

Changes to Vendor and Banking Information

In the prior year audit, the APA was informed of three erroneous payments resulting from unauthorized changes to an employee's and vendor's banking information that resulted from a lack of controls over such changes.

During our review of the process to change vendor and banking information in E1, we noted a lack of controls to ensure that additions and/or changes to vendor addresses and banking information were proper and accurate. To change vendor addresses and banking information in the system, an authorized agent at the agency level submits a W-9/ACH form to the Department. This submission can be made by a single person at the agency. There is no required secondary approval of changes at the agency level to ensure additions and changes are proper.

In addition, we noted that the Department did not perform any other procedures to identify potential fraudulent bank accounts in the system. A review could include querying for duplicate bank accounts or addresses existing for both a vendor and employee of the State.

A good internal control plan requires procedures to ensure that critical vendor and banking information within E1 is proper, and changes to that information are verified as accurate.

Without such procedures, there is an increased risk of loss, misuse, or theft of State funds due to fraudulent activity within E1.

A similar finding was noted in the previous audit.

> We recommend the Department establish procedures to ensure vendor addresses and banking information in E1 are appropriate and accurate. These procedures should require a secondary approval of all vendor and banking information at the agency level when modifying W-9/ACH forms, ensuring that at least two knowledgeable individuals are involved in the changes. We also recommend the Department establish procedures, such as a periodic review for duplicate bank accounts and vendor addresses, to identify potential fraudulent bank accounts in the system.

Department Response: DAS continues to review and improve procedures for vendor set-up and maintenance, including accuracy of vendor records. As a control that DAS already has in place, changes to a vendor/payee's banking information requires prior banking information be provided for verification.

<u>Finding 2020-009</u>

<u>E1 Timesheets</u>

Twenty State agencies utilized E1 to record their employees' work time entry and leave reporting. For these agencies, we noted the following:

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

- E1 timesheets were maintained only for the current pay period for 17 State agencies and one year for one State agency that used the time entry function in E1.

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

- E1 did not accurately track who approved timesheets in the system. Each employee was assigned a supervisor in his or her master file in the system. For State agencies that utilized timesheet entry in E1, the supervisor assigned to an employee approved the timesheet. However, supervisors were allowed to set up delegates in the system to approve timesheets in the supervisor's absence. The system did not record who actually approved the timesheet; if a delegate approved an employee timesheet, the system would record the assigned supervisor as the approver. When delegates were set up for their supervisor, the delegate was then able to alter and approve his or her own timesheet. Furthermore, there was no audit trail for delegates in E1. When a supervisor terminated, there was no record of the delegates in the system. Supervisors were also able to delete delegates without any record of the assignment.

- Employees were able to record their time worked to other agency funding sources. When completing a timesheet, the employee had a field available to him or her to record time to any State agency. The coding was not restricted to only the employing agency.

A similar finding was noted in the previous audit.

Neb. Rev. Stat. § 84-1001(1) (Reissue 2014) states the following:

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

Sound business practices, as well as a good internal control plan, require hours actually worked by State employees to be adequately documented and such documentation to be kept on file to provide evidence of compliance with § 84-1001(1). Furthermore, a good internal control plan requires employers of employees who accrue vacation and sick leave to maintain adequate support that employees actually earned the amounts recorded in their leave records.

Section 124-86, Payroll – Agency Records, of Nebraska Records Retention and Disposition Schedule 124, General Records (February 2020), as issued by the Nebraska State Records Administrator, requires any "supporting records received or generated by an agency used to review, correct or adjust and certify agency payroll records" to be retained for five years. Per that same section, the supporting records may include timesheets and reports.

Good internal control requires procedures to ensure that the approval of timesheets is documented for subsequent review, and business units are restricted to an employee's agency.

Without such procedures, there is an increased risk for fraudulent or inaccurate payment of regular hours worked or accumulation of leave. Additionally, failure to retain important payroll documentation risks noncompliance with Nebraska Records Retention and Disposition Schedule 124. When business units are not restricted, there is an increased risk that an employee may record payroll expenditures to an incorrect funding source or another agency's general ledger in error.

> We recommend the Department establish a policy requiring State agencies to maintain adequate supporting documentation of time worked for all employees, such as timesheets or certifications, in compliance with Nebraska Records Retention and Disposition Schedule 124. Furthermore, we recommend the Department make the necessary changes to E1, or save supporting documentation to a data warehouse, to allow for the retention of timesheets, documentation of approvals, and changes to timesheets to ensure compliance with Nebraska Records Retention and Disposition Schedule 124. Lastly, we recommend the Department restrict business units to an employee's agency.

Department Response: Timesheet images are maintained in EnterpriseOne until the payroll is processed; however, the electronic data is maintained in EnterpriseOne indefinitely. Agencies will be reminded to retain any information they may receive, generate or create outside of EnterpriseOne in support of an agency's payroll to be done in accordance with the Nebraska Records Retention and Disposition Schedule 124.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding 2020-010

Material Adjustments to Accruals

The Nebraska 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. Agency responses were due to DAS by August 14, 2020; however, the Department of Health and Human Services (Department) was given an extension to September 15, 2020. Even with the extension, the Department did not provide all of its accrual response forms until October 8, 2020, and never provided its construction in progress accrual response form. Of 14 accruals tested, 11 had errors that required adjustment or were not supported with adequate documentation even though an extension was granted.

In its response to the Summary Schedule of Prior Audit Finding(s), the Department stated that its corrective action plan was complete with regards to errors in accrual information. Throughout testing, we noted several items that were not reported accurately to DAS, causing faulty journal entries, which required adjustments to be proposed by the Auditor of Public Accounts (APA) to ensure that financial reporting was accurate. The accruals were not accurate and were not prepared in accordance with governmental accounting standards. Additionally, there was not an adequate secondary review to ensure that the accruals were proper prior to being submitted to DAS. Due to the implementation of limited or no corrective actions, similar issues have been reported since the 2003 audit, over 17 years.

For the errors detailed below, totaling $100,381,737, the APA proposed adjustments to ensure the financial statements would be reflected properly. All proposed adjustments were posted by DAS.

Description	Misstatement Amount	Reason
Disproportionate Share Hospital (DSH) Payable	$ 53,789,443	The Department provided two incorrect versions of the payable prior to the APA determining the final proposed adjustment. The first calculation included only $851,431, materially understating the payable.
Medicaid Drug Rebate (MDR) Receivable	$ 18,717,003	The Department provided two incorrect versions of the receivable prior to the APA determining the final proposed adjustment. The first version significantly understated the payable due, in part, to the reporting being as of July 31, 2020, instead of June 30, 2020.
Patient & County Billings Payable	$ 8,738,172	The Department overstated the receivable, mainly due to incorrect and unsupported allowances for doubtful accounts and incorrect Federal match percentages used. We also tested 25 client balances and determined 18 balances were not proper, causing reductions of $1.6 million.
State Rx Payable	$ 5,809,508	The Department reported the payable on its accrual response form, but the payable was already recorded in the accounting system. This doubled the payable.
NFOCUS Receivable	$ 5,336,634	The Department overstated the receivable due, in part, to not including an allowance for doubtful accounts for Supplemental Nutrition Assistance Program (SNAP) overpayments.
Third Party Liability (TPL) Receivable	$ 5,028,526	The Department overstated the receivable due to miscalculating the estimate over 12 months, instead of 45 days. Furthermore, the Department did not report an allowance for doubtful accounts to DAS for $6.4 million.

Description	Misstatement Amount	Reason
Program Integrity (PI) Receivable	$ 1,535,016	The Department provided three incorrect versions of the receivable prior to the APA determining the final proposed adjustment. We also tested five client balances and determined three balances were not proper.
NFOCUS Payable	$ 736,463	The Department used incorrect Federal matching percentages, causing the misstatement.
Indirect & Direct Medical Education (IME/DME) Payable	$ 690,972	The Department used incorrect Federal matching percentages, causing the misstatement.
Total Misstatement	**$ 100,381,737**	

Furthermore, during testing, we noted the following issues:

- The School Administration Medicaid Payable and State Ward Education Payable lacked adequate documentation to support the assumptions used in the estimates. The APA recalculated the payables and determined the amounts reported by the Department were reasonable; however, due to a lack of documentation, using the same methods in future years may result in significant and/or material errors. The Department should ensure it has a reasonable and supported basis for each estimate calculated.

- The Department failed to include $582,878 in interest due on overdue accounts in its MDR receivable calculation. Additionally, there were several large credit balances that had not been refunded or used to reduce future balances due to labelers in a timely manner. The 2016 MMIS POS balance had a $1.3 million credit balance still outstanding as of June 30, 2020.

- 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 the 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 was no review to ensure that the suspended status was proper and necessary based on supporting documentation. An inaccurate suspension could lead to balances due not being recovered.

Title 2 CFR § 200.511(a) (January 1, 2020) 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 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 work with DAS to train staff and implement procedures for properly calculating and reporting accruals for the CAFR, including fixing repeated errors. Furthermore, we recommend the Department implement procedures for a secondary review of all accruals by a knowledgeable individual prior to submission to DAS.

Department Response: Agree

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 reviewed by responsible parties. DHHS will be meeting with DAS staff to work through any necessary corrections for the next fiscal year.

Finding 2020-011

Lack of Adequate Subrecipient Monitoring

The Department administers various programs, paid with Federal and/or State funds, which involves granting subawards to other entities to carry out the activities of the program. During our testing of reimbursements made to subrecipients, we noted that the Department lacked adequate procedures to ensure the expenses being reimbursed were reasonable and proper. The following issues were noted:

Provider	Total Payment Tested	Unsupported Amount	Services	Issues
Region 4	$ 147,759	$ 147,759	Behavioral Health	No monitoring performed
Region V	$ 113,387	$ 113,387	Behavioral Health	No monitoring performed
Region VI	$ 57,657	$ 57,657	Behavioral Health	No monitoring performed
Disability Rights Nebraska	$ 487,488	$ 487,488	Developmental Disabilities	No monitoring performed
Omaha Tribe	$ 199,480	$ 80,748	Foster Care	No support on file for payroll, indirect costs, and travel
Nebraska Children and Families Foundation	$ 60,956	$ 36,320	Foster Care	No monitoring performed but the APA reviewed support on file and noted unsupported amounts
Right Turn	$ 104,767	$ 101,841	Post Adoption and Guardianship	No support on file for payroll, and indirect costs, etc.
Community Action Partnership	$ 57,693	$ 57,693	Women, Infants, and Children	No monitoring performed for the year. Provider received $446,044 during the year.
Child Advocacy Center	$ 38,104	$ 23,349	Child Advocacy	No monitoring of payroll charges
Bright Horizon	$ 12,633	$ 576	Domestic Abuse	No review of payroll but the APA reviewed support on file and noted unsupported amounts
Totals	**$ 1,279,924**	**$ 1,106,818**		

The Regional Behavioral Health Authorities (Regions) performed monitoring according to the Department. However, the Department did not obtain those reviews to ensure the monitoring was appropriate. Furthermore, no other monitoring procedures were performed by the Department of expenditures incurred by the Regions for the year. The amount awarded to the three Regions tested totaled $35,391,482.

Title 2 CFR § 200.331(d) (January 1, 2020) requires pass through entities to "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 § 200.303(a) (January 1, 2020) directs the agency to ensure compliance with Federal requirements through the use of sound internal controls.

A good internal control plan includes 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.

Title 2 CFR § 200.403 (January 1, 2020) requires costs charged to Federal programs to be reasonable, necessary, and adequately documented.

According to the agreement between the Department and providers, "As consistent with all applicable federal statutes, regulations, and policies, DHHS shall reimburse Subrecipient for its costs to perform the project . . . ." The agreement states also, "Subrecipient must be able to provide source documentation or other verification of all claimed costs, either provided with its request for payment, or available to DHHS."

A similar finding was noted during the previous audit.

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

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

> We recommend the Department improve procedures for monitoring subrecipients. Such monitoring should ensure monthly reports are accurate and agree to support, and expenditures are in accordance with State and Federal requirements.

Department Response: Partially Agree

The Department's responsibility to address the impact of Covid-19 temporarily affected the completion of monitoring during this State fiscal year. The federal funds noted by the auditor largely follow the federal fiscal year so as of 6/30/2020; the monitoring was not due to be completed. The necessary reviews either have been or are in the process of being completed now.

Finding 2020-012

Erroneous Financial Transactions

During testing of transactions that the Department entered in the State's accounting system, we noted the following issues:

- The Department deposited various monies received into the Medicaid Holding Fund for several programs, including MDR, TPL, PI, and Estate Recovery. When received, monies are recorded to a liability account that is presented as deposits on the financial statements. These balances are held in this fund only until they are researched by staff and moved to the appropriate funding source; therefore, the balance should have been recorded as due to other funds, such as the General fund or Federal fund associated with the respective program. The Department did not research the monies held in the fund in a timely manner, leaving a balance of $7,534,720 at June 30, 2020. The APA proposed, and DAS posted, an adjustment to correct the error.

- The Department recorded a duplicate entry for Child Support, resulting in assets and liabilities being overstated by $2,972,580. The APA proposed, and DAS posted, an adjustment to correct the error.

- Two of seven negative expenditures were not recorded properly. The Department received monies from two Medicaid Managed Care Organizations for activities that occurred before July 1, 2019, totaling $8,719,438. The Department reduced current year expenditures rather than reducing the beginning balance, resulting in current year expenditures being understated. The APA proposed, and DAS posted, an adjustment to correct the error.

- During testing of journal entries, one entry tested was not recorded properly as a prior period adjustment. An initial entry was done incorrectly in April 2019, resulting in General Fund expenditures being understated and Federal Fund expenditures overstated by $1,130,553. To correct this error, the Department made an entry in April 2020; however, this entry was not recorded as a prior period miscellaneous adjustment.

- The Department did not record the final entry from the Child Support Enforcement incentives for the fiscal year 2017 until August 13, 2020, even though they were able to perform the entry in September 10, 2019. This resulted in revenues being understated by $2,163,098. The APA proposed, and DAS posted, an adjustment to correct the error.

- One $1,270,772 receipt tested for the Medicaid Drug Rebate (MDR) program for supplemental drug rebates was recorded as 6% to the Children's Health Insurance Program (CHIP) and 94% to regular Medicaid. The Department had no support for the percentages used.

Good internal controls require procedures to ensure transactions are accurately recorded in the accounting system and documentation is on file to support the transactions.

When financial transactions are not recorded in the proper period or are recorded incorrectly, there is an increased risk the financial statements will be materially misstated.

> We recommend the Department implement procedures to ensure accounting entries are made in a timely manner and recorded properly. We further recommend the Department implement procedures for the proper review of prior period activity to ensure that the account coding represents properly prior period transactions for identification and adjustment on the CAFR.

Department Response: Agree

DHHS has utilized the DAS State accounting manual and internal control guidance. However, during 2021, DHHS will be creating a department-wide internal control policy, specific to our agency. This policy will address the issues in this finding and contribute toward future finding prevention.

Finding 2020-013

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.

In its response to the Summary Schedule of Prior Audit Finding(s), the Department stated that its corrective action plan was complete with regards to the overpayment mailbox. However, we reviewed the database and, as of June 30, 2020, there were 11,481 referrals closed without the OP team working them; this included 107 referrals closed during fiscal year 2020. Of the closed referrals, 11,182 were related to 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 five audits.

Per Title 475 Nebraska Administrative Code (NAC) 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 CFR § 273.18(c)(1)(i) (January 1, 2020), which requires the Department to calculate a claim "back to at least twelve months prior to when you became aware of the overpayment[.]" Currently, the Department's definition of the date of discovery is the date the Department confirms that 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 timeframes.

Title 2 CFR § 200.511(a) (January 1, 2020) 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."

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 before closing them.

We also performed testing of 22 overpayment receivables and noted the following issues:

- Ten accounts were removed from the database improperly due to staff error.

- Two 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 4-007.04(A). One account was for an overpayment to the Aid for the Aged, Blind and Disabled (AABD) program, and the other account was for an overpayment to the Temporary Assistance for Needy Families (ADC) 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 for the SNAP program.

- One account with an overpayment to the SNAP program was not included in the database and, therefore, was not set up in the quarter following the date of discovery as required by Title 7 CFR § 273.18(d) (January 1, 2020).

Per the Department's regulations for the ADC program at Title 468 NAC 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.*

For the AABD program, Title 469 NAC 3-007.03B2 states, in part, the following:

If a state supplement payment is made for an amount greater than the amount the client was entitled to receive the overpayment is recouped by reducing current state supplement payments by at least ten percent.

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 that 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 that are not worked timely have a lesser chance of collection, whereas 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 work to resolve this repeat finding by doing the following:

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

Department Response: Agree

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. During the last state fiscal year, the team established $3,036,697.90 overpayments for SNAP on 5,366 referrals. Each month, 300-500 new referrals of potential overpayments are received, reviewed and processed within 30 days of the referral. Last year, 3% 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 481 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. All referrals from the overpayment backlog have been reviewed and claims established where appropriate.*

Effective October 1, 2020, Nebraska has updated their definition of date of discovery as the date when a potential overpayment is initially identified and submitted for review. This change has been completed in the State plan, and Nebraska Administrative Code (NAC) is in the process of being updated. This allows for closer alignment to the federal regulations. In addition, the department is working to make corrections to the spreadsheets and database to ensure that data is stored accurately.

Finding 2020-014

University of Nebraska Medical Center Medical Education Revolving Fund

The APA has questioned the disproportionate share hospital (DSH) expenditures made from the University of Nebraska Medical Center Medical Education Revolving Fund (Revolving Fund) since fiscal year 2015; however, the Department has taken no additional steps to alleviate the concerns.

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

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

The Department acknowledged that legislation had not been introduced to allow DSH expenditures from the Revolving Fund. Regardless of this fact, the Department expended a total of $17,027,167 from the Revolving Fund for fiscal year 2020, including expenditures for DSH.

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 five audits.

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

Department Response: Agree

DHHS Financial Services will work with DHHS Medicaid staff to ensure transactions in the UNMC Medical Education revolving fund comply with 85-134.

Finding 2020-015

Lack of Timely Response for Audit Requests

Delays in timely responses to audit information requests occurred again during this audit, even though the issue was noted in the previous audit. There were several instances of the Department not complying with Neb. Rev. Stat. § 84-305 (Cum. Supp. 2018), which requires a timely response to the APA's request for audit information. The Department did not respond to audit requests within the required three business days and/or did not provide the information requested within the required three weeks after the initial request. The following are a few such incidents noted throughout the audit period; however, the untimely responses were not limited to these examples:

- Initial documentation for the disproportionate share hospital payable was requested on September 21, 2020, and further documentation was requested on September 28, 2020. However, after numerous requests, the Department did not provide the information until November 5, 2020, over a month from the original request. Additionally, the payable was still not proper and required further adjustments by the APA.

- Documentation for software capitalization was requested on July 30, 2020. Part of the requested documentation was received on August 24, 2020, but the final documentation was not obtained until October 5, 2020, over two months from the original request.

- Documentation of the Department's user controls for the Women Infant and Children (WIC) Program Service Organization Control reports was requested on October 9, 2020. However, after numerous requests, the Department did not provide the requested report until December 10, 2020, over two months from the original request.

Section 84-305(1) states the following:

> *The Auditor of Public Accounts shall have access to any and all information and records, confidential or otherwise, of any public entity, in whatever form or mode the records may be, unless the auditor is denied such access by federal law or explicitly named and denied such access by state law. If such a law exists, the public entity shall provide the auditor with a written explanation of its inability to produce such information and records and, after reasonable accommodations are made, shall grant the auditor access to all information and records or portions thereof that can legally be reviewed.*

Subsection (2) of that same statute adds, as is relevant, the following:

> *Upon receipt of a written request by the Auditor of Public Accounts for access to any information or records, the public entity shall provide to the auditor as soon as is practicable and without delay, but not more than three business days after actual receipt of the request, either (a) the requested materials or (b)(i) if there is a legal basis for refusal to comply with the request, a written denial of the request together with the information specified in subsection (1) of this section or (ii) if the entire request cannot with reasonable good faith efforts be fulfilled within three business days after actual receipt of the request due to the significant difficulty or the extensiveness of the request, a written explanation, including the earliest practicable date for fulfilling the request, and an opportunity for the auditor to modify or prioritize the items within the request. No delay due to the significant difficulty or the extensiveness of any request for access to information or records shall exceed three calendar weeks after actual receipt of such request by any public entity.*

Finally, Neb. Rev. Stat. § 84-305.01 (Cum. Supp. 2018) reads as follows:

> *Any person who willfully fails to comply with the provisions of section 84-305 or who otherwise willfully obstructs or hinders the conduct of an audit, examination, or related activity by the Auditor of Public Accounts or who willfully misleads or attempts to mislead any person charged with the duty of conducting such audit, examination, or related activity shall be guilty of a Class II misdemeanor.*

The Department's failure to respond promptly to audit information requests not only constitutes a violation of § 84-305 but also hinders the APA's testing and completion of the CAFR in a timely manner.

> We recommend the Department implement procedures to ensure compliance with § 84-305.

Department Response: Agree

The Department will establish procedures to ensure compliance with 84-305.

Finding 2020-016

Lack of Service Organization Control Reports

The Department's Supplemental Nutrition Assistance Program (SNAP) and Woman, Infants, and Children (WIC) Program failed to obtain three Service Organization Control (SOC) reports. One SOC report was used by both SNAP and WIC, and the other two were utilized only by WIC. Without these SOC reports, the Department was unable to provide audit evidence for the suitability of the design and operating effectiveness of the organizations' internal controls in accordance with American Institute of Certified Public Accountants (AICPA) audit standards AU-C 402.

For the fiscal year ended June 30, 2020, SNAP and WIC aid payments totaled $240,785,561 and $15,492,965, respectively.

Good internal controls require procedures to ensure adequate documentation is obtained in a timely manner for use in financial audits.

> We recommend the Department work with the service organization to ensure the SOC reports can be completed and submitted for review prior to the completion of the State's CAFR audit.

Department Response: Agree

The Department will work with the service organizations to impress upon them our need of timely receipt of the applicable SOC reports. However, the Department would note that this issue is largely outside of our control.

Finding 2020-017

NFOCUS External Access – Child Advocacy Centers

The Nebraska Family Online Client User System (NFOCUS) application was used to automate benefit/service delivery and case management for several Department programs. NFOCUS processes included 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) were 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. Although the Department claimed to be addressing this concern, the Centers continued to have the ability to access information outside the scope of their work during fiscal year 2020. On May 22, 2020, the Department sent a letter to each Center stating that access would be removed on July 1, 2020.

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 did so through a separate portal in which only specific records placed on the portal by the Department could 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) states 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.*

Nebraska Information Technology Commission (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.*

National Institute of Standards and Technology (NIST) Special Publication 800-53, Security and Privacy Controls for Federal Information Systems and Organizations, Access Control 6 (AC-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 control requires procedures to ensure that external users do not have unrestricted access to view any case in NFOCUS.

Without such procedures, there is an increased risk of NFOCUS users accessing confidential information in contravention of both State statute and applicable security guidelines.

A similar finding was noted in the previous audit.

> We recommend the Department implement procedures for removing unrestricted external entity access to the NFOCUS application. Instead, limited access to data should be provided through a separate portal that permits Department staff to deliver only the data necessary for an external entity to complete its mission.

Department Response: Agree

INVESTMENT COUNCIL

Finding 2020-018

Quarterly Endowment Distribution Errors

The State has 13 endowment funds from which the Council distributes investment income. The calculated investment income is transferred to separate funds held by the associated State agencies to expend as deemed necessary. The State's custodial bank, State Street Bank (SSB), provided the Council with a report of the distributable investment income in accordance with its agreement with the Council. Distributable investment income did not include capital gains for 7 of the 13 endowments in accordance with Op. Att'y Gen. No. 07003 (Feb. 8 2007), which states:

> *For certain fund distributions, it is necessary to distinguish between classes of investment income and between income and principal. Generally, investment receipts or amounts allocable to income include interest, dividends, and other income such as rent on lands. <u>Investment receipts allocable to principal include premiums and capital gains, whether realized or unrealized. Receipts allocable to principal ordinarily are reinvested as principal and not distributable in the absence of constitutional or statutory authority for that purpose.</u>*

(Emphasis added.) Capital gains were to remain in the endowments; however, the agreement between the Council and SSB did not address the exclusion of capital gains within the calculation. In turn, the SSB report did not exclude capital gains, causing the Council to distribute erroneously $7,538,508. This was not identified through the Council's review until the fourth quarter distribution for calendar year 2019. One equity fund held at SSB had capital gain distributions of $3,646,411 since 2017, when the fund began. When the Auditor of Public Accounts (APA) began testing of the distributions for the fiscal year 2020 audit, this quarter was selected for review. After multiple conversations questioning why the distribution calculation had changed, the Council informed the APA of the issue. Subsequently, the APA questioned whether the Council had reviewed the other SSB funds for similar issues, at which time the Council began a review and identified a second equity fund containing capital gains that had been distributed for $3,892,097 over the course of at least five years. To correct the errors, the Council calculated the necessary adjustments to reduce evenly future distributions over the following four quarters.

Furthermore, during our review of the fourth quarter distribution for calendar year 2019, we noted that the SSB report did not include five investment funds in the allocation of investment income, causing the income distribution for the calendar year 2019 to be incorrect by $74,618. The Council corrected the error after the APA identified it.

A good internal control plan and sound business practice require procedures to ensure that income distributions are accurate.

Without such procedures, there is an increased risk of material errors in the distribution of income for endowment funds.

> We recommend the Council revise procedures to ensure the quarterly income distributions are calculated correctly. In particular, capital gains should not be transferred from endowment funds, and any such monies that were distributed incorrectly should be recovered.

Council Response: The Council staff has added a step to procedures to ensure this will not happen again.

DEPARTMENT OF LABOR

Finding 2020-019

Inadequate Controls, Improper Payments, and Possible Fraudulent Claims

In response to nationwide fraud concerns related to Coronavirus Aid, Relief, and Economic Security (CARES) Act unemployment benefits, the APA performed several extended procedures over Nebraska Unemployment Compensation (UC) claims. The APA sent confirmation requests to claimants and employers, performed a random sample of benefit payments, and matched benefits to State employees. Our procedures revealed the following:

- Failure to perform key control procedures
- Potential fraudulent claims based on confirmation responses
- Ineligible payments to inmates
- Payments to individuals with excessive wages

Because the dollar error rate for the sample was 65.97%, the potential amount at risk for fiscal year 2020 is estimated to be $535,534,130. From October 1, 2019, through June 30, 2020, however, the Department discontinued Federal cross-match procedures required by 20 CFR § 603.23(b) for identifying fraudulent claims. Consequently, we estimate all payments made during this period to be potential dollars at risk, totaling $799,940,595.

We identified the following questioned costs:

	Questioned Costs FY 2020	Questioned Costs After FY 2020	Total	Pages for Detailed Information
Potential Fraudulent Claims	$ 122,876	$ 62,764	$ 185,640	5 - 8
Lack of Controls Over the PUA Program	$ 2,039	$ -	$ 2,039	8 - 10
Ineligible Payments to Inmates	$ 23,204	$ 10,441	$ 33,645	10
Excessive Wages Earned	$ 53,109	$ -	$ 53,109	11 - 15
Improper Unemployment Benefits Paid to State Employees	$ 96,411	$ 19,611	$ 116,022	15 - 16
Benefits Received for Multiple Programs	$ 46,225	$ -	$ 46,225	16 - 17
Lack of Adjudication Procedures Over Employer Responses	$ 107,764	$ 51,702	$ 159,466	17 - 18
Short-Time Compensation (STC)	$ 352	$ -	$ 352	19
Other Issues	$ 23,327	$ 1,358	$ 24,685	19 - 20

*Some costs are duplicated in more than one line in the table above. Total Questioned Costs for the fiscal year ending 2020 were $462,992. Total Questioned Costs after fiscal year ended 2020 were $141,365.

The following information contains a discussion of our testing procedures and the results thereof.

Background of the CARES Act Funding for Unemployment Benefits
On March 13, 2020, the President of the United States issued a "Proclamation on Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak." Additionally, Congress passed the Emergency Unemployment Insurance Stabilization and Access Act of 2020 (EUISAA) and the CARES Act to provide Federal funding for unemployment compensation to all States, as well as to ease restrictions on the unemployment compensation program.

The majority of the Federal funding was for the additional Federal Pandemic Unemployment Compensation (FPUC) of $600 provided each week for anyone eligible for State benefits starting with the week ending April 4, 2020. An individual eligible for at least $1 for one week received the additional $600 weekly, through the week ending July 25, 2020. The Federal government also implemented the Pandemic Unemployment Assistance (PUA) program for individuals not eligible for regular Unemployment Insurance (UI), which included self-employed individuals. PUA was effective retroactively from the week ending January 27, 2020, to December 26, 2020. The Pandemic Emergency Unemployment Compensation (PEUC) program is a temporary Federal program available for individuals whose regular unemployment benefits have expired or will expire soon. PEUC was available beginning the week ending April 4, 2020.

According to a listing obtained from the Geographic Solutions Unemployment System (GUS), its unemployment benefit system, the Department paid $771 million in unemployment benefits to 119,945 claimants between March 1, 2020, and June 30, 2020.

The following table provides the number of claimants and the total unemployment benefits paid for the 10 Nebraska employers with the most benefits paid, as well as the State of Nebraska, from March through June 2020:

Employer	Number of Claimants Paid	Net Benefits Paid
Employer 1 – Lincoln	1,513	$ 7,286,069
Employer 2 – Lincoln	888	$ 5,189,104
Employer 3 – Omaha	410	$ 3,397,689
Employer 4 – Lincoln	906	$ 3,344,345
Employer 5 – Several Locations	608	$ 3,295,458
Employer 6 – Columbus	447	$ 3,255,168
Employer 7 – Several Locations	534	$ 3,172,504
Employer 8 – Lincoln	494	$ 3,034,460
Employer 9 – Several Locations	533	$ 2,936,386
Employer 10 – Omaha	692	$ 2,792,911
Employer 11 – Government	337	$ 1,935,033

These employers did not necessarily lay off or furlough employees due to COVID-19. Instead, they could have qualified for unemployment programs, such as the Short-Time Compensation (STC) program that allowed employers to reduce staff hours in lieu of layoffs. Employees of companies that utilized this program were allowed to receive partial unemployment benefits to offset the loss of income. These employees would have also received the $600 per week FPUC benefit.

Because of the pandemic, the United States Department of Labor (USDOL) provided guidance to States for the loosening of requirements for individuals to become eligible for unemployment benefits. Through Unemployment Insurance Program Letters (UIPL) #10-20, #13-20, #14-20, #16-20, and #23-20, those guidelines encouraged States to do, among other things, the following:

- Waive the requirement that applicants wait for one week prior to receiving benefits.
- Ease eligibility requirements, including modifying or suspending work search obligations.
- Not to charge employers directly impacted by COVID-19.
- Consider temporarily modifying their “good cause” provisions for unemployment in order to comply with social distancing recommendations – for example, accepting a reasonable risk of exposure or infection as a good cause to leave work.

- Promote the STC program, which allowed employers to reduce the work hours of employees, rather than laying them off, with the employees still being able to receive unemployment compensation benefits.

On March 13, 2020, the Governor of Nebraska declared a state of emergency in response to the President's proclamation of that same date. That gubernatorial declaration was accompanied by several executive orders, which were issued to implement the USDOL's suggested guidelines for loosening benefit eligibility restrictions.

Executive Orders #20-4, #20-14, #20-19, #20-22, #20-26, and #20-31 removed or changed the following eligibility requirements for unemployment benefits:

- Waived the one-week waiting period to receive benefits for claims filed on or after March 15, 2020, to August 1, 2020.

- Waived the work search requirements for claims filed on or after March 15, 2020, to July 12, 2020.

- Removed the requirements for charging employers for individuals affected by COVID-19.

- Allowed all employers to apply for STC, if the termination date of the STC agreement was on or before December 27, 2020.

- Required the Department to adjudicate only the last separation from a claimant's employment for claims filed on or after March 15, 2020, to 30 days after the lifting of the COVID-19 state of emergency.

Inadequate Controls
In response to the Governor's executive orders, as well as the high number of claims being filed, the Department removed or changed the following system controls:

- Effective April 2, 2020, the Department allowed numerous issues that would normally be adjudicated, or reviewed by staff, to be approved automatically and processed by the system. These included, but were not limited to, the following:

    - The claimant's reason for separation was anything other than Quit or Discharge (such as Still Employed, Still Working Full-time, Other, etc.), and the last employer did not respond to the Department's inquiry regarding the nature of the separation.

    - The employer's reason for separation was any reason other than Quit or Discharge.

    - If the reason for separation reported by both the claimant and the employer did not agree, the claim was allowed if the reason listed by either party included, but was not limited to, one of the following:

        - Still Employed
        - Other
        - Suspended from Work
        - Still Working Full-Time

- Effective for claims filed on or after March 15, 2020, the employer was not charged regardless of the reason for separation. According to the Governor's executive order, however, the reason for separation needed to be due to COVID in order for the employer not to be charged.

- Effective for claims filed on or after March 15, 2020, the Department reviewed only the last separation of employment during the base period (the one-year period upon which the benefit payments are calculated).

The USDOL also allowed States to discontinue their Benefit Accuracy Measurement (BAM) surveying effective March 23, 2020, for denied claims and April 1, 2020, for paid claims. This was a significant control procedure performed by the Department to ensure both the eligibility of applicants and the proper processing of claims. In a March 18, 2020, email message to State Administrators, a USDOL representative explained, "The BAM program is an essential quality function for the UI program . . . . The states have the responsibility to draw samples, perform investigations, identify errors, compute error rates, analyze data, and initiate corrective action if appropriate. Although permitted by the USDOL, therefore, discontinuing the BAM surveys left the last quarter of the fiscal year with little to no effective controls to identify fraudulent payments.

Additionally, starting with claims paid during the fourth quarter of calendar year 2019, the Department discontinued the quarterly wage cross-match procedures required by 20 CFR § 603.23(b). This procedure identified individuals who had wages paid by employers during a quarter in which they also received benefits, which could lead to a decrease in benefits paid to a claimant.

The Department did perform the following procedures:

- Verified claimant data to the National Directory of New Hires Cross-match.
- Verified claimant data to the Systematic Alien Verification for Entitlements (SAVE) for alien status.
- Implemented the batch jobs that identified potential fraudulent claims. These batch jobs were not implemented until May 26, 2020, but included review of IP addresses, bank routing numbers, etc.

However, issues noted as a result of these procedures would still have to be reviewed by staff before a claim would be identified in the system as fraudulent/improper to stop payments on it. As of October 15, 2020, claims filed from January 3, 2020, still needed to be reviewed. Over $19 million had been paid to these claimants and would continue to be paid until a staff review was performed.

Lastly, Department staff could flag a claim as potentially fraudulent and stop payments on it until someone reviewed the claim to determine if it was fraudulent. As of September 11, 2020, the Department had claims dating back to July 1, 2019, that still needed review. Over $17 million had been paid to these claimants.

For the period July 1, 2019, through March 31, 2020, the State paid over $49 million in unemployment benefits, per review of the State accounting system. After the pandemic hit, the quarter ending June 30, 2020, had nearly $762 million in unemployment benefits. For fiscal year 2020, this is approximately 10 times larger than the unemployment benefits paid during a normal fiscal year. Of that $762 million, over $189 million was paid from regular UI, over $533 million was paid from FPUC, over $36 million was paid from PUA, and over $2 million was paid from PEUC. The remaining benefits were from other smaller programs.

Due to the lack of controls, there was an increased risk for fraudulent claims and improper benefits paid during the last quarter of fiscal year 2020.

Potential Fraudulent Claims
The APA received a file from the Department for benefits paid, by claimant, for the fiscal year 2020 (July 1, 2019, through June 30, 2020) and performed a risk analysis for the last quarter of that fiscal year (April 1, 2020 through June 30, 2020) to identify possible fraudulent payments. In doing so, the APA sent 496 confirmation requests to individuals assessed as high-risk claimants to inquire as to whether they received the benefit payments recorded in their name.

Of the 496 confirmation requests sent to claimants, 24 responded that they did not receive any UC benefits. These individuals could be the victims of identity theft. There are potentially more fraudulent claims, but due to the lack of responses it is unknown how many. The table below details the responses received to the APA's confirmation requests:

Response	Total
Did not receive UC benefits	24
Received UC benefits	157
Mail Was Undeliverable	65
No Response Received	250
Total	**496**

The following table shows the benefits recorded in GUS, the Department's unemployment benefit system, for each of the 24 respondents who claimed to have received no benefit payments:

#	Gross Amount Paid as of 6/30/2020 (Questioned Costs)	Gross Amount Paid 7/1/2020 to 10/26/2020 (Questioned Costs)	Program	1st Week Ending Paid/ 1st Date Paid	Last Week Ending Paid/ Last Date Paid	Overpayments Established (as of 10/30/2020)	Established Date	Date APA Notified Dept.
1	$ 5,414	$ 4,511	PUA	4/18/2020/ 4/28/2020	8/15/2020/ 9/17/2020	$ -	N/A	10/6/2020
2	$ 9,968	$ 773	PUA	3/7/2020/ 6/22/2020	6/27/2020/ 7/6/2020	$ -	N/A	10/5/2020
3	$ 6,240	$ 9,480	Regular UI	5/16/2020/ 5/28/2020	9/19/2020/ 9/24/2020	$ -	N/A	9/25/2020
4	$ 10,568	$ -	PUA	3/14/2020/ 6/19/2020	6/27/2020/ 6/30/2020	$ -	N/A	9/30/2020
5	$ 5,514	$ -	PUA	2/29/2020/ 6/1/2020	5/9/2020/ 6/1/2020	$ 5,514	9/29/2020	9/29/2020
6	$ 10,487	$ -	PUA	2/15/2020/ 6/16/2020	6/20/2020/ 6/23/2020	$ -	N/A	10/16/2020
7	$ 6,362	$ 7,141	PUA	3/28/2020/ 5/12/2020	10/24/2020/ 10/26/2020	$ 5	10/14/2020	10/21/2020
8	$ 10,741	$ 6,622	PUA	3/7/2020/ 6/11/2020	10/3/2020/ 10/7/2020	$ -	N/A	10/5/2020
9	$ 2,080	$ -	Regular UI	6/6/2020/ 6/10/2020	6/13/2020/ 6/16/2020	$ 2,080	10/1/2020	10/1/2020
10	$ 4,160	$ -	Regular UI	5/23/2020/ 6/1/2020	6/20/2020/ 6/23/2020	$ 4,160	7/29/2020	10/5/2020
11	$ 3,120	$ -	Regular UI	6/6/2020/ 6/15/2020	6/20/2020/ 6/22/2020	$ 3,120	N/A	10/1/2020
12	$ 2,080	$ -	Regular UI	6/6/2020/ 6/16/2020	6/13/2020/ 6/22/2020	$ -	N/A	10/1/2020
13	$ 4,038	$ -	PUA	3/28/2020/ 6/22/2020	5/2/2020/ 6/22/2020	$ 4,038	10/7/2020	10/6/2020
14	$ 4,476	$ 3,438	PUA	2/8/2020/ 6/12/2020	8/8/2020/ 8/10/2020	$ 7,914	10/7/2020	10/6/2020
15	$ 4,164	$ 2,082	Regular UI	5/23/2020/ 5/28/2020	7/25/2020/ 7/27/2020	$ 6,350	10/5/2020	10/5/2020
16	$ 3,092	$ -	PUA	5/23/2020/ 6/15/2020	6/13/2020/ 6/15/2020	$ 4,560	9/4/2020	10/1/2020
17	$ 3,438	$ 10,995	PUA	3/21/2020/ 6/2/2020	8/8/2020/ 9/17/2020	$ -	N/A	9/30/2020

#	Gross Amount Paid as of 6/30/2020 (Questioned Costs)	Gross Amount Paid 7/1/2020 to 10/26/2020 (Questioned Costs)	Program	1st Week Ending Paid/ 1st Date Paid	Last Week Ending Paid/ Last Date Paid	Overpayments Established (as of 10/30/2020)	Established Date	Date APA Notified Dept.
18	$ 1,908	$ 3,816	Regular UI	6/13/2020/ 6/22/2020	7/18/2020/ 7/24/2020	$ -	N/A	10/9/2020
19	$ 1,040	$ -	Regular UI	6/13/2020/ 6/25/2020	6/13/2020/ 6/25/2020	$ -	N/A	10/6/2020
20	$ 1,040	$ -	Regular UI	6/13/2020/ 6/22/2020	6/13/2020/ 6/22/2020	$ 1,040	8/14/2020	10/5/2020
21	$ 3,528	$ 4,110	Regular UI	6/6/2020/ 6/15/2020	8/22/2020/ 9/24/2020	$ -	N/A	10/30/2020
22	$ 4,643	$ -	PUA	4/18/2020/ 4/29/2020	6/6/2020/ 6/8/2020	$ 4,643	7/1/2020	10/28/2020
23	$ 8,871	$ 4,792	Reg UI/ PEUC/PUA	6/29/2019/ 7/1/2019	8/15/2020/ 10/20/2020	$ 946	6/12/2020	9/29/2020
24	$ 5,904	$ 5,004	Regular UI	5/23/2020/ 6/2/2020	8/15/2020/ 9/17/2020	$ -	N/A	11/4/2020
Total	**$ 122,876**	**$ 62,764**				**$ 44,370**		

Per the Department, staff spoke to Respondent #22 several times, identified the claim as fraudulent, and requested repayment due to several inconsistencies with the claimant information, including inconsistent mailing and living addresses, suspect IP addresses, phone number changes, etc. According to the Department, the respondent had actually received the payments but should not have; therefore, an overpayment was established.

The Department explained also that Respondent #23 was the subject of an active case involving a woman suspected of having filed a fraudulent claim in the name of her incarcerated son, as well as possibly filing a fraudulent claim on her own behalf. Her son was incarcerated several times throughout the year. According to GUS, he received benefits for the week ending February 22, 2020, through September 5, 2020, nearly the entire time he was incarcerated. Inmates are not eligible to receive UC, as they are unavailable for work.

In addition to the above concerns with the confirmation request responses, the APA noted specific incidents of apparently fraudulent claims being filed. One of those involved a member of the APA's staff, who learned that a fraudulent claim had been filed in her name. On May 30, 2020, the APA received a "Request to Employer for Separation Information" form from the Department for the employee, whose employment had not been terminated or hours reduced. That form was returned to the Department on June 4, 2020, noting that the claim was fraudulent, and the individual was currently employed, working full-time, and had not filed for unemployment. On June 8, 2020, the APA received a "Qualifying Separation Determination" notification that stated the following:

> *We have completed a review and investigation of your claim for unemployment benefits referenced above. We have determined that you are eligible for benefits due to your employment being affected by the declared Pandemic Covid-19. The employer, AUDITOR OF PUBLIC ACCTS . . . is chargeable for benefits based on wages paid for this employment.*

On June 9, 2020, the APA contacted the Department again, reiterating that the claim was fraudulent and should not be paid. Nevertheless, on June 18, 2020, a debit card was mailed to the APA employee with a letter stating that the payment to the bank account and routing number associated with the claim had been returned because the account had insufficient funds. While the APA employee received the debit card, and payments were created in GUS, the payments to the employee never cleared the Department's bank. However, it appears that tax payments were made, as the APA employee received a "Statement Of The Last 30 Days Of Your Improperly Paid Account" communication on August 24, 2020, which notified her that she owed $104 for taxes paid by the Department.

Though none were made on that particular claim, any payments would have gone to a routing number to which 27 other claimant payments had already been sent. Replying to the confirmation requests sent by the APA, moreover, 15 of the respondents (#8 through #22 above) stated that they also had received no benefits.

During testing of 36 State employees, as discussed in the section herein titled "Improper Unemployment Benefits Paid to State Employees," we identified three claimants, similar to the APA employee, for whom benefit payments were created in GUS but never cleared the bank. These three claimants also had questionable details, such as a routing number for a bank with no Nebraska branches or an IP address for either registration or the most recent claim that was not associated with a Nebraska location. Like the APA employee, these individuals appear to be the victims of identity theft, and the details of the claims filed in their names are provided in the following table:

State Agency	Job Title	Net Benefit Payments Processed but Not Paid	Bank Branches in Nebraska	IP Address in Nebraska
Corn Board	Per Diem Employee	$ 13,920	Yes	No
Department of Motor Vehicles	Administrative Assistant I	$ 4,152	No	No
APA	Examiner II	$ 2,080	No	No
DHHS	Health Information Technician	$ 1,876	No	No
	Total	**$ 22,028**		

Additionally, the APA received notification from two individuals who, despite having experienced no changes in employment status, had fraudulent claims filed in their names. No payments were made on one of the claims; however, the other individual received a debit card loaded with $1,846. The recipient of the card stated that she had not filed for unemployment benefits.

Good internal controls require procedures to ensure that UC claimants are eligible, and benefit payments are proper.

Without such procedures, there is an increased risk of both fraudulent UC claims being processed and benefit payments being made improperly.

Lack of Controls Over the PUA Program

PUA provides benefits to individuals who are not otherwise eligible for regular UI. Individuals must also be unemployed, partially unemployed, or unable or unavailable to work because of certain health or economic consequences of the COVID-19 pandemic. This includes self-employed individuals, those seeking part-time employment, individuals lacking sufficient work history, and those who otherwise do not qualify for regular unemployment compensation under State or Federal law or PEUC. PUA provides benefits for up to 39 weeks. The CARES Act provides the following list of COVID-19 reasons for unemployment that would allow an individual to be eligible for PUA:

- The individual has been diagnosed with COVID-19 or is experiencing symptoms of COVID-19 and is seeking a medical diagnosis;
- A member of the individual's household has been diagnosed with COVID-19;
- The individual is providing care for a family member or a member of the individual's household who has been diagnosed with COVID-19;
- A child or other person in the household for which the individual has primary caregiving responsibility is unable to attend school or another facility that is closed as a direct result of the COVID-19 public health emergency, and such school or facility care is required for the individual to work;
- The individual is unable to reach the place of employment because of a quarantine imposed as a direct result of the COVID-19 public health emergency;
- The individual is unable to reach the place of employment due to having been advised by a health care provider to self-quarantine because of concerns related to COVID-19;
- The individual was scheduled to commence employment and does not have a job or is unable to reach the job as a direct result of the COVID-19 public health emergency;
- The individual has become the breadwinner or major support for a household because the head of the household has died as a direct result of COVID-19;
- The individual has to quit his or her job as a direct result of COVID-19; or
- The individual's place of employment is closed as a direct result of the COVID-19 public health emergency.

The amount paid under the PUA program is the same as what would be payable under regular UI, except that the minimum amount paid per week cannot be less than $173 a week in the State of Nebraska (plus an additional $600 each week from FPUC).

Per USDOL guidelines, the States must first verify that individuals are ineligible for regular UI before being provided with PUA benefits. Additionally, the States must check quarterly to determine if a PUA claimant is eligible for regular UI.

USDOL guidelines say also that the claimant must self-certify at the time he or she applies for PUA; moreover, for each continued claim, he or she must be unemployed for one of the COVID-19 reasons listed above. Additionally, the claimant must be advised that intentional misrepresentation on the self-certification constitutes fraud. USDOL guidelines do not require the States to verify the information self-certified by the claimant, unless the claimant provides information that would allow him or her to receive more than the weekly amount of $173. Then the States must obtain additional documentation to support that the claimant can receive more than the minimum amount; however, many of the claimants under PUA might not normally have the additional required documentation, such as records of wages reported by employers.

The U.S. Office of Inspector General (OIG) released an Alert Memorandum on May 26, 2020, disagreeing with some of the USDOL's guidance. According to that document, relying solely upon self-certified information gives rise to significant risk of fraud; thus, States should obtain additional documentation to support that the PUA claimants had earned wages prior to going on unemployment. The USDOL responded on June 5, 2020, disagreeing with the OIG and explaining that Congress had mandated that eligibility is to be established by self-certification, and the USDOL and the States may not require documentation substantiating an individual's employment or self-employment as an eligibility requirement for PUA benefits. The USDOL did clarify that, if a PUA claimant is receiving more than the weekly minimum amount, the States are required to obtain documentation to support the weekly amount; however, if the claimant fails to provide such documentation, his or her future benefits must be reduced to the minimum benefit available.

Potentially, a PUA claimant could receive up to $13,141 (which includes FPUC) for the weeks ending April 4, 2020, to July 25, 2020, by providing only self-certifications, and not providing additional documentation. During the period April 1, 2020, to June 30, 2020, there were 22,577 PUA claimants receiving net benefits totaling $135,129,090. We noted the following concerns:

- The Department did not add the COVID-19 reasons for unemployment listed above to the PUA unemployment application until April 22, 2020. We noted that 4 of 10 PUA claims tested had applications filed prior to April 22, and they were approved for PUA despite not including the COVID-19 reason for unemployment required by the USDOL.

- Additionally, the PUA weekly certifications required to be completed by the claimant did not include the COVID-19 reason, as required for unemployment benefits, until the week ending July 4, 2020.

- The Department's system allowed PUA eligibility automatically, without requiring any staff reviews to verify the validity that the claimant had self-certified one of the allowable COVID-19 related reasons. Such staff review was not required in the system until July 17, 2020.

- The Department paid a minimum weekly amount of $174 rather than $173 from January 2020 through June 5, 2020. For 5 of 10 PUA claims tested, the weekly benefit amount was overpaid. The Department used FEMA's declaration of a major disaster for COVID-19 in Nebraska, effective April 4, 2020. Using this date, the minimum weekly amount was $174. The Department was later provided guidance from the USDOL on May 28, 2020, that it should be using the date the President of the United States declared COVID-19 a national emergency, which was March 13, 2020. Using this date, the minimum weekly amount was $173. Prior to June 5, 2020, 19,859 claimants received PUA.

- The State is required to review PUA claims quarterly to ensure claimants were not eligible for regular UI. For one PUA claim tested, the Department performed its quarterly review and determined on July 24, 2020, that the claimant was eligible for regular UI dating back to April 5, 2020. This resulted in $2,039 (Questioned Costs) in excessive payments from the PUA program that would not have been allowed from regular UI. As of October 21, 2020, the Department had not established an overpayment for this.

Based upon the above, it is apparent that PUA Federal requirements were not met for all applicants, and the Department lacked controls to ensure that claimants were eligible.

Good internal control requires procedures to ensure that recipients of PUA benefits are eligible for those payments, and weekly benefit amounts are calculated correctly. Those same procedures should ensure also that the Department takes action to recoup any overpayment of PUA benefits.

Without such procedures, there is an increased risk of fraudulent or incorrect PUA payments being made and not recovered.

Ineligible Payments to Inmates

During the APA's confirmation testing, one respondent who claimed not to be receiving UC payments was found to be an inmate incarcerated at the Community Corrections Center – Lincoln (CCC-L). Inmates are not eligible for UC benefits.

Neb. Rev. Stat. § 48-627 (Cum. Supp. 2018) provides, in relevant part, the following:

> *An unemployed individual shall be eligible to receive benefits with respect to any week, only if the Commissioner of Labor finds:*
>
> * * * *
>
> *(3)(a) He or she is able to work and is available for work.*
>
> * * * *
>
> *(f) An inmate sentenced to and in custody of a penal or custodial institution shall be considered unavailable for work for purposes of this section[.]*

Despite the above statutory prohibition against providing UC payments to inmates, the respondent received benefits while incarcerated at the CCC-L. The APA identified five other CCC-L inmates who also received UC benefits during their incarceration.

The following table details the UC benefit payments, totaling $33,645, made to the six CCC-L inmates through October 26, 2020:

#	Gross Amount Paid as of 6/30/20 (Questioned Costs)	Gross Amount Paid 7/1/20 to 10/26/20 (Questioned Costs)	Prog.	Claim Filed Date	1st Week Ending Paid/ 1st Date Paid	Last Week Ending Paid/ Last Date Paid	Sentence Begin Date	Release Date	Overpayment as of 10/26/2020 (Including Penalties)	Overpayment Established Date
1	$ 6,110	$ 5,930	PUA	4/25/20	5/9/20/ 5/21/20	9/5/20/ 9/24/20	6/26/19	7/28/20	$ 12,645.10	10/8/20
2	$ 3,870	$ -	PUA	4/25/20	4/4/20/ 4/27/20	5/2/20/ 5/4/20	3/27/14	9/18/20	$ 3,999.75	10/8/20
3	$ 3,940	$ -	Regular UI	3/30/20	4/4/20/ 5/11/20	5/2/20/ 5/11/20	2/13/12	8/28/20	$ -	N/A
4	$ 2,322	$ -	PUA	4/25/20	4/18/20/ 4/27/20	5/2/20/ 5/4/20	6/22/18	N/A	$ 2,399.85	10/8/20
5	$ 1,548	$ -	PUA	4/25/20	4/25/20/ 5/4/20	5/2/20/ 5/4/20	5/2/19	N/A	$ 1,548.00	6/20/20
6	$ 5,414	$ 4,511	PUA	4/25/20	4/18/20/ 4/28/20	8/15/20/ 9/17/20	12/16/19	5/8/20	$ -	N/A
Total	**$ 23,204**	**$ 10,441**								

Good internal control requires procedures to ensure that inmates do not receive UC benefits while incarcerated.

Without such procedures, there is an increased risk of the Department disbursing UC payments in a manner incompatible with State law.

Excessive Wages Earned

Claimants were required to perform weekly certifications, which included reporting all wages earned during that week to ensure benefit reductions were not necessary. These certifications were performed to ensure compliance with Neb. Rev. Stat. § 48-625(1) (Cum. Supp. 2018), which provides the following:

> *Each eligible individual who is unemployed in any week shall be paid with respect to such week a benefit in an amount equal to his or her full weekly benefit amount if he or she has wages payable to him or her with respect to such week equal to one-fourth of such benefit amount or less. In the event he or she has wages payable to him or her with respect to such week greater than one-fourth of such benefit amount, he or she shall be paid with respect to that week an amount equal to the individual's weekly benefit amount less that part of wages payable to the individual with respect to that week in excess of one-fourth of the individual's weekly benefit amount. In the event there is any deduction from such individual's weekly benefit amount because of earned wages pursuant to this subsection or as a result of the application of section 48-628.02, the resulting benefit payment, if not an exact dollar amount, shall be computed to the next lower dollar amount.*

The Department had a system control to cross-match wages reported on a quarterly basis by employers through the Tax Management System (TMS). If a claimant did not certify wages properly, the cross-match would identify wages that required further adjudication and staff review to follow up with employers. That system ensured compliance with 20 CFR § 603.23(b), which states the following:

> *The State UC agency must crossmatch quarterly wage information with UC payment information to the extent that such information is likely, as determined by the Secretary of Labor, to be productive in identifying ineligibility for benefits and preventing or discovering incorrect payments.*

Despite the above directive, the Department stopped its wage cross-match procedures effective March 2020. The cross-match reviewed wages two quarters in arrears, leaving the period October 1, 2019, through June 30, 2020, with no wage review to ensure that benefits paid were proper. The Department did not plan to renew cross-matching until the first quarter of calendar year 2021.

UIPL 23-20 (May 11, 2020) from the USDOL reiterates the program integrity functions required for the regular UI program, providing the following guidance:

> *The essential functions performed by Benefit Payment Control (BPC) units or other designated staff must be performed for all UI programs, including PEUC and PUA.*
>
> *Section 7511, Part V, of the Employment Security Manual (ESM) requires state unemployment compensation (UC) laws to include provisions for such methods of administration as are, within reason, calculated (1) to detect benefits paid through error by the state UC agency or through willful misrepresentation or error by the claimant or others, (2) to deter claimants from obtaining benefits through willful misrepresentation, and (3) to recover benefits overpaid under certain circumstances.*
>
> *These required functions are accomplished through state agency BPC units or other designated staff responsible for promoting and maintaining the integrity of the UI program through prevention, detection, investigations, establishment, and recovery of overpayments. BPC units or designated staff also prepare cases for prosecution.*
>
> *The following BPC activities are mandatory for states to implement for the regular UI programs on an ongoing basis. States must implement these functions for the PEUC and PUA programs in the same manner as for the regular UI programs.*
>
> - *National Directory of New Hires Cross-match (UIPL Nos. 13-19 and 19-11). UIPL 13-19 provides detailed, recommended operating procedures for crossmatching with state and national directories of new hire data;*

- *Quarterly Wage Records Cross-match (20 CFR § 603.23); and*

- *Systematic Alien Verification for Entitlement (SAVE) (Section 1137(d) of the Social Security Act (SSA) (42 U.S.C. §1320b-7).*

The APA randomly selected 60 claimant benefit payments (8 from July 1, 2019, through March 31, 2020, and 52 from April 1, 2020, through June 30, 2020). The random sample consisted of 50 regular UI payments and 10 PUA payments. We reviewed the claims to ensure that adequate supporting documentation was on file, and controls were in place, to determine whether eligibility was proper.

The total sample tested was $59,463, and questioned costs for payments tested were $39,229. Total payments to those claimants were $330,553 for fiscal year 2020, and additional payments of $153,136 from July 1, 2020, to October 22, 2020. Total benefit payments for the fiscal year ended June 30, 2020, were $811,758,290. Based on the sample tested, the dollar error rate for the sample was 65.97% ($39,229/$59,463), which estimates the potential dollars at risk for fiscal year 2020 to be $535,534,130 (dollar error rate multiplied by population). However, due to the Department discontinuing, from October 1, 2019, through June 30, 2020, the cross-match procedures required by 20 CFR § 603.23(b) to identify fraudulent claims, we estimate all payments made during this period to be potential dollars at risk, totaling $799,940,595.

We noted that 25 of 60 random claims tested had wages in excess of 25% of the weekly benefit amount established by § 48-625(1), as shown in the table below:

#	Quarter Tested	Claimant Certified Wages	TMS Quarterly Wages	Variance	Gross Amount Paid during the Quarter
1	CY 2019 Qtr 4	$ -	$ 7,212	$ 7,212	$ 2,982
2	CY 2019 Qtr 4	$ -	$ 2,090	$ 2,090	$ 882
3	CY 2020 Qtr 1	$ -	$ 3,310	$ 3,310	$ 2,200
4	CY 2020 Qtr 1	$ 161	$ 4,254	$ 4,093	$ 440
5	CY 2020 Qtr 2	$ -	$ 869	$ 869	$ 13,080
6	CY 2020 Qtr 1 & 2	$ 174	$ 8,795	$ 8,621	$ 2,496
7	CY 2020 Qtr 2	$ -	$ 6,042	$ 6,042	$ 3,870
8	CY 2020 Qtr 2	$ 53	$ 3,590	$ 3,537	$ 8,280
9	CY 2020 Qtr 2	$ 4,811	$ 8,598	$ 3,787	$ 6,240
10	CY 2020 Qtr 2	$ 380	$ 1,138	$ 757	$ 10,824
11	CY 2020 Qtr 2	$ -	$ 600	$ 600	$ 10,348
12	CY 2020 Qtr 2	$ 2,060	$ 9,445	$ 7,385	$ 4,160
13	CY 2020 Qtr 2	$ 1,403	$ 2,754	$ 1,351	$ 4,815
14	CY 2020 Qtr 2	$ -	$ 873	$ 873	$ 13,344
15	CY 2020 Qtr 2	$ 1,586	$ 4,716	$ 3,129	$ 12,054
16	CY 2020 Qtr 2	$ -	$ 6,785	$ 6,785	$ 13,960
17	CY 2020 Qtr 2	$ -	$ 5,550	$ 5,550	$ 8,320
18	CY 2020 Qtr 2	$ 7,462	$ 8,226	$ 764	$ 9,108
19	CY 2020 Qtr 2	$ 1,372	$ 5,817	$ 4,445	$ 7,130
20	CY 2020 Qtr 2	$ 899	$ 1,463	$ 564	$ 6,450
21	CY 2020 Qtr 2	$ -	$ 10,372	$ 10,372	$ 3,072

#	Quarter Tested	Claimant Certified Wages	TMS Quarterly Wages	Variance	Gross Amount Paid during the Quarter
22	CY 2020 Qtr 2	$ -	$ 424	$ 424	$ 9,368
23	CY 2020 Qtr 2	$ 677	$ 1,117	$ 440	$ 5,388
24	CY 2020 Qtr 2	$ -	$ 426	$ 426	$ 9,330
25	CY 2020 Qtr 2	$ -	$ 288	$ 288	$ 9,284
	Total	**$ 21,038**	**$ 104,752**	**$ 83,714**	**$ 177,425**

Despite the excess wages identified above, the GUS benefit payment system contained no documentation that Department staff had reviewed them for determination of benefit reductions. Moreover, because the Department did not perform further inquiry with the employer to determine wages by week, there is no support to determine if the claimants were overpaid.

We also performed testing of nine claimants with wages greater than $100,000 during the last quarter of fiscal year 2020. For seven of the nine tested, the Department failed to obtain adequate supporting documentation, whether at the time the payments were made or subsequently through the TMS cross-match, to allow for a determination of eligibility, or eligibility was not properly determined, as shown in the table below:

#	Claimant Certified Wages	TMS Quarterly Wages	Variance	Gross Amount Paid during the Quarter	Notes
1	$ 18,739	$ 200,460	$ 181,721	$ 1,040	The claimant made 10 weekly certifications. For 7 of the 10 weeks, the claimant certified that he earned $4,685 for each of those 7 weeks and received no payments. Gross benefits through 10/8/20 totaled $3,120.
2	$ 408	$ 111,827	$ 111,419	$ 5,621	The claimant made five weekly certifications. For three of those five weeks, the claimant certified that he earned a total of $408. Only one week was reduced.
3	$ -	$ 122,445	$ 122,445	$ 1,040 (Questioned Costs)	The employer responded on 4/27/2020 that the claimant was laid off due to lack of work. However, according to the employer, the claimant would be receiving a severance payment of $115,000 on 5/1/2020. The claimant was denied benefits on 5/11/2020 due to excessive severance pay. However, one payment was made on 5/12/2020 for the week ending 4/25/2020. According to the Department, this was a staff error when inputting the effective date of pay. This caused a week to be skipped when the system prorated the pay. An overpayment had not been established as of 11/4/20.

#	Claimant Certified Wages	TMS Quarterly Wages	Variance	Gross Amount Paid during the Quarter	Notes
4	$ -	$ 130,585	$ 130,585	$ 2,080 (Questioned Costs)	The employer informed the Department on 5/14/2020 that the claimant was still employed and never stopped working. A temporary UI Claims Specialist reviewed the claim, but the benefits were allowed nonetheless. The claim should have been investigated further for potential fraud. The Department agreed and opened an investigation. An overpayment had not been established as of 11/4/20.
5	$ -	$ 115,000	$ 115,000	$ 4,160	The claimant made four weekly certifications. For all weeks, the claimant reported $0 in wages. No benefits were reduced.
6	$ -	$ 149,477	$ 149,477	$ 1,040 (Questioned Costs)	The employer informed the Department on 6/6/2020 that the claimant was still employed and had never stopped working. An issue was created in the system, but a payment was automatically allowed to be issued on 6/11/2020. Another issue created in the system on 6/28/2020 denied benefits. An overpayment was subsequently established on 7/29/2020.
7	$ -	$ 225,238	$ 225,238	$ 2,080	The claimant made two weekly certifications. For both weeks, the claimant reported $0 in wages. No benefits were reduced.
Total	**$ 19,148**	**$ 1,055,033**	**$ 1,035,885**	**$ 17,061**	

Lastly, during our risk analysis procedures, we identified 79 claimants with benefit payments greater than $8,500 and wages in excess of $15,000 during the last quarter of fiscal year 2020. To receive $8,500 in benefits, a claimant receiving the maximum weekly benefit amount, would have received at least nine weeks of benefits. With only 13 weeks in a quarter, the claimant would then have received wages of at least $3,750 ($195,000 annually) in each of the remaining 4 weeks. Therefore, these claimants were deemed higher risk of fraudulent claims as the APA expected claimant wages to decline as benefit payments increased.

Selecting 10 of these 79 claimants for testing, we noted a lack of staff review for determination of benefit reductions. Because the Department did not perform further inquiry with the employer to determine wages by week, there is no support to determine if the claimants were overpaid.

#	Quarter	Claimant Certified Wages	TMS Quarterly Wages	Variance	Gross Amount Paid during the Quarter	Notes
1	CY 2020 Qtr 2	$ 17,883	$ 17,883	$ -	$ 11,880	The employer did not respond to the Department's request for separation information, and no further attempts were made to contact the employer. The Department used the 1/8/20 date of separation reported by the claimant to prorate the wages for possible reduction of benefits. The claimant's benefits did not start until 3/28/20, so no benefits were reduced based on the termination date provided by the claimant. It is unknown if the date was proper or if reductions of benefits received were necessary.
2	CY 2020 Qtr 2	$ 1,118	$ 33,015	$ 31,897	$ 12,187	The social security number was not entered into the system properly, causing wages to be reported in error for the claimant. Proper wages for the claimant totaled $2,084. The employer informed the Department on 4/1/20 that this claimant did not work for the company; however, no staff reviewed the employer response. The Department did not correct the social security number until inquiry by the APA on 10/13/20.
3	CY 2020 Qtr 2	$ -	$ 21,985	$ 21,985	$ 14,400	No documentation of wages was reviewed in GUS.
4	CY 2020 Qtr 2	$ -	$ 15,314	$ 15,314	$ 12,480	The claimant's name in GUS did not agree to the name reported for the TMS wages. No further research had been performed by the Department per review of GUS.
5	CY 2020 Qtr 2	$ -	$ 16,672	$ 16,672	$ 12,480	No documentation of wages was reviewed in GUS.
6	CY 2020 Qtr 2	$ -	$ 27,240	$ 27,240	$ 14,980	The claimant was paid $1,020 (Questioned Costs) more than the maximum benefit allowed for the quarter. There was no documentation in GUS of a review of wages or an overpayment established.
7	CY 2020 Qtr 2	$ -	$ 15,729	$ 15,729	$ 13,960	A wage audit request was submitted by the employer on 9/14/20 to report wages earned by week. The APA calculated overpayments of approximately $8,700 (Questioned Costs); however, the Department had not established an overpayment.
8	CY 2020 Qtr 2	$ -	$ 20,111	$ 20,111	$ 13,960	Per documentation contained in GUS, the claimant would have worked full-time during this quarter based on the wages reported.

#	Quarter	Claimant Certified Wages	TMS Quarterly Wages	Variance	Gross Amount Paid during the Quarter	Notes
9	CY 2020 Qtr 2	$ -	$ 17,827	$ 17,827	$ 13,960	No documentation of wages was reviewed in GUS.
10	CY 2020 Qtr 2	$ -	$ 17,804	$ 17,804	$ 14,400	No documentation of wages was reviewed in GUS.
	Total	**$ 19,001**	**$ 203,579**	**$ 184,578**	**$ 134,687**	

Good internal control requires procedures to ensure that benefit payments are made in compliance with applicable Federal and State requirements.

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

Improper Unemployment Benefits Paid to State Employees
For the period March 1, 2020, through July 28, 2020, the APA identified $116,022 in improper unemployment benefits paid to Nebraska State employees for 20 of 36 claimants tested. In order to select the 36 claimants tested, the APA compared the list of unemployment benefit claimants to the State's accounting system (E1) to identify whether active State employees, as of July 2020, received unemployment benefits from March to June 2020. In total, the APA identified 256 active State employees who were paid unemployment benefits. Included in the 256 were State employees who had terminated employment from another employer but were still active State employees.

Neb. Rev. Stat. § 48-625 (Cum. Supp. 2018) sets out how to calculate unemployment benefits for a recipient who has wages payable to him or her while receiving an unemployment benefit. The statute requires any wages in excess of one-fourth of the weekly benefit amount to be deducted from the claimant's benefit.

Active State workers were eligible for unemployment if their State work hours were reduced, they were terminated from other employment, or their hours from another job were reduced. In these instances, the employee was required to report State wages in order to determine the claimant's unemployment benefit.

The Department had a process for identifying State employees who were also receiving benefit payments; however, in many of these instances, these employees received benefits for several weeks prior to being identified. Additionally, the GUS unemployment benefit system was modified during the pandemic to automate the approval process, so benefits could be paid more timely; thus, some of the benefits were approved and paid without a Department employee reviewing and approving the unemployment claim.

Twenty of 36 claimants tested did not report all State wages to the Department, whose process for identifying those unreported wages was insufficient to detect such errors timely. That unsatisfactory procedure led to overpayments of $116,022. The table below identifies the 20 claimants and the gross benefit that was overpaid:

State Agency	Job Title	Gross Benefit Overpaid as of 6/30/20 (Questioned Costs)	Gross Benefit Overpaid 7/1/20 to 7/28/20 (Questioned Costs)	Bank Account in GUS agreed to E1 – Note 1
Department of Health & Human Services (DHHS)	Staff Assistant II	$ 14,400	$ 4,160	Yes
DHHS	Secretary II	$ 12,480	$ 4,077	No

State Agency	Job Title	Gross Benefit Overpaid as of 6/30/20 (Questioned Costs)	Gross Benefit Overpaid 7/1/20 to 7/28/20 (Questioned Costs)	Bank Account in GUS agreed to E1 – Note 1
Department of Correctional Services	Facility Maintenance Manager I	$ 10,400	$ 1,040	Yes
DHHS	Social Services Lead Worker	$ 8,880	$ 1,040	Yes
Secretary of State	Records Technician	$ 9,220	$ -	No
Department of Agriculture	Meteorologist	$ 5,939	$ 1,932	Yes
Department of Correctional Services	Corrections Unit Case Worker	$ 7,280	$ 239	No
DHHS	Resource Developer Note 2	$ 7,072	$ -	Yes
DHHS	Teacher	$ 4,974	$ 836	Yes
DHHS	Social Services Trainee	$ 2,666	$ 1,365	No
DHHS	Social Services Worker	$ 786	$ 3,144	Yes
DHHS	Social Services Worker	$ 2,718	$ -	No
DHHS	Child/Family Services Specialist	$ 2,504	$ -	Yes
Legislative Council	State Senator	$ 1,944	$ 324	Yes
DHHS	Social Services Unit Manager	$ 2,080	$ -	No
DHHS	Mental Health Security Specialist II	$ 424	$ 1,454	Yes
Supreme Court	Specialized Probation Officer	$ 1,040	$ -	No
Dept. of Motor Vehicles	Driver Licensing Services District Supervisor	$ 1,040	$ -	No
DHHS	Registered Nurse	$ 348	$ -	Yes
Game and Parks	Temp Park Worker II	$ 216	$ -	Yes
	Total	**$ 96,411**	**$ 19,611**	

Note 1: The APA's analysis included a comparison between the employee's banking information in the State's accounting system (E1) and the banking information recorded in GUS. Bank accounts that did not match could indicate a third party had fraudulently filed a claim impersonating the State employee.

Note 2: This employee did not originally report State wages when she filed for weekly benefits. However, the employee did contact the Department thereafter, and an overpayment was calculated. As of November 24, 2020, the employee had paid back $6,020; additionally $600 had been cancelled, and $452 was still due.

A good internal control plan requires adequate procedures to identify improper or questionable benefits for further investigation and proper resolution.

Without such procedures, there is an increased risk of improper or fraudulent payments being made.

Benefits Received for Multiple Programs

We reviewed 10 of 594 claimants who were paid more than $13,520 in benefits during the period April 1, 2020, to June 30, 2020. Eight of those 10 claimants received payments from more than one program during the same weeks, as detailed in the following table:

#	Weeks with Payments from Multiple Programs	Program Overpaid	APA Calculated Overpayment (Questioned Costs)	Department Overpayment Established	Established Date
1	4/18/20 to 5/2/20	UI / FPUC	$ 3,120	$ -	N/A
2	4/4/20 to 6/20/20	PUA / FPUC	$ 4,200	$ -	N/A
3	3/28/20 to 4/18/20	PUA / FPUC	$ 3,560	$ -	N/A
4	5/16/20 to 6/13/20	UI / FPUC	$ 5,200	$ 5,200*	7/24/20
5	3/28/20 to 6/20/20	UI / FPUC	$ 9,687	$ 3,687*	6/29/20
6	4/4/20 to 5/23/20	TRA FUBA / FPUC	$ 8,208	$ -	N/A
7	3/28/20 to 5/16/20	UI / FPUC	$ 7,720	$ -	N/A
8	4/4/20 to 5/16/20	TRA FUBA / FPUC	$ 4,530	$ -	N/A
		Total	**$ 46,225**	**$ 8,887**	

**Overpayment was recouped by the Department.*

Starting in May 2020, Claimant #1 was originally being paid from regular UI. The Department then determined that the claimant was eligible for PUA, dating back to February 2020 through early May 2020. While making the change in its system, the Department backdated the PUA for weeks already paid from regular UI, and no overpayment was established. This caused the error of $3,120. Similar issues were noted for all of the other seven claimants listed above.

We noted also that Claimant #5 had an overpayment of $9,687, which was repaid; however, the Department canceled $6,000 of that amount improperly, and records showed an erroneous refund due.

Section 4(b) of UIPL 14-20 (April 2, 2020), issued by the USDOL, states the following, in part:

> *An individual may establish eligibility for multiple benefit programs, including multiple programs authorized under the CARES Act. The information provided below regarding the order of payment is contingent on the individual meeting all eligibility criteria for the respective program(s). It is also contingent on the state having entered into an agreement with the Secretary of Labor to administer such program(s).*
>
> > *i. For an individual who is eligible for regular UC (including UCFE and UCX), the following order of payment applies.*
> >
> > > *A. The individual must apply for and receive regular UC. The amount and duration of these benefits are dependent on state law.*
> > >
> > > *B. If the individual exhausts regular UC, the individual may then be eligible to receive PEUC under section 2107. The duration of these benefits is limited to 13 weeks.*

Good internal control requires procedures to ensure that claimants do not receive benefit payments from more than one program during the same week.

Without such procedures, there is an increased risk of making overlapping payments to benefit recipients in contravention of applicable Federal guidelines.

Lack of Adjudication Procedures Over Employer Responses

While testing 60 claims, we noted that the last employer failed to respond to the Department's request for separation information for 13 of the claimants. Those claimants were paid a total of $115,109 in benefits during fiscal year 2020.

According to the Department, when an employer does not respond to a request for separation information, another attempt is made, via telephone, mail, etc., to obtain the needed information. There was no documentation, however, that such follow-up was performed for the 13 claimants. Consequently, the eligibility for these claimants is unknown, as no other controls were in place to verify their statements for separation of employment.

Furthermore, when reviewing the claimants, we noted that the Nebraska employer for one of the claimants was not included in the Tax Management System (TMS), the State's system for recording wages reported by employers. It is unknown, therefore, if the employer information provided by the claimant is accurate. The claimant was paid $6,077 during the fiscal year. Likewise, another claimant was receiving PUA. However, per the GUS benefit payment system, the claimant had not been employed since 2013, and no employment information was included on the application for benefits, making the individual ineligible for regular UI. The individual was also ineligible for PUA, having failed to provide one of the COVID-19 reasons for unemployment. Therefore, the claimant should not have received $10,000 (Questioned Costs) in benefits. The Department agreed that the individual was not eligible.

Additionally, of the claimants identified as high risk (see "Potential Fraudulent Claims" above), the APA sent confirmations to 51 of their last employers. Those employers had not responded to the Department's request for separation information. We received responses from 33 of the employers, and 12 of those responses indicated that the claim should not have been allowed. Benefits paid to these 12 claimants totaled $97,764 (Questioned Costs) through June 30, 2020, and an additional $51,702 (Questioned Costs) had been paid after the fiscal year ended through October 22, 2020.

During our test of 60 claims, we noted that the last employer responded for 45 of the claimants. Of those 45, 16 responses from the employer did not agree to the claimant's separation response. Those responses gave rise to the following concerns:

- Eleven of the responses from the employers were either "Still Employed" or "Other." The system is set up to allow claims to process automatically with these responses. For these claims, though, the employer happened to provide additional information to support eligibility. Regardless, there is a risk that an employer could respond "Still Employed" or "Other" and provide additional information that would support denial of the claim; however, because of the automatic allowance, staff would not review this information, and the claim would still be allowed.

- Four employers provided a separation statement; however, those statements were not entered into the GUS benefit payment system, and there is no documentation to support that Department staff considered them when determining claimant eligibility. Failure to review employer separation statements increases the risk of ineligible claimants receiving benefits. For instance, one of these responses did not include information regarding the claimant's termination date or the reason for separation. There is no documentation to show that the Department either considered or followed up on this employer response; therefore, information is lacking to support that this claimant was eligible to receive benefits.

- One employer responded that the claimant "Resigned/Quit." According to the employer, the claimant was supposed to be a substitute paraprofessional; however, whenever summoned, she would not report to work. This information should have disqualified the claimant, but her claim was allowed nonetheless.

Per Neb. Rev. Stat. § 48-626(1) (Cum. Supp. 2018), the Department must adjudicate for each claimant the "wages in the employment of each employer per calendar quarter of his or her base period." Per both Executive Order 20-22 (April 30, 2020) and Executive Order 20-26 (June 2, 2020), however, Governor Pete Ricketts issued this directive: "The NDOL will only adjudicate the last separation from employment which resulted in the claimant's unemployment."

Nevertheless, as shown herein, the Department appears not to have been adjudicating consistently each claimant's last separation from employment, as ordered by the Governor.

Good internal control requires procedures to ensure that the Department adjudicates each claimant's last separation from employment, as directed by the Governor's executive orders.

Without such procedures, there is an increased risk of not only benefit payments being made to ineligible claimants but also noncompliance with the Governor's executive orders.

Short-Time Compensation (STC)
As provided under Neb. Rev. Stat. §§ 48-672 through 48-683 (Cum. Supp. 2018), the Department utilizes a "short-time compensation" (STC) program. The STC program allows employers to establish, upon Department approval, a plan for reducing hours of work for employees rather than laying-off some employees while others continue to work full-time. Under such a plan, the employees who receive a reduction in hours collect a percentage of their lost wages through UC.

During testing, the APA found one claimant who was authorized, pursuant to an approved STC plan, to receive benefits for a 10% reduction in weekly hours; however, that claimant was paid benefits for a 20% reduction in hours for eight weeks. This resulted in the claimant receiving $352 (Questioned Costs) more than the amount specified in the approved plan.

Title 219 NAC 19-003(N) sets out how changes may be made to an STC plan:

> *A STC employer shall use the Department of Labor's website or the paper forms available from the Department to report changes to an approved STC plan, request modification of an approved STC plan, or revoke an approved STC plan.*

The APA found no report of changes to the STC plan at issue having been filed with the Department.

Additionally, Title 219 NAC 19-008 provides the following:

> *The Department of Labor may audit STC Plans for compliance on a regular basis. If during the audit a variance between employer reported information and claimant reported information exists, the Department of Labor may redetermine the correct benefit amount.*

Good internal control requires procedures, including periodic verifications or audits, to ensure compliance with the provisions of approved STC plans.

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

Other Issues
Additionally, we noted the following issues during testing:

- One claimant reported severance of $13,975 on the weekly certification for the week ending July 18, 2020. The Department determined that this severance should have reduced benefits previously received from April 4, 2020, through July 11, 2020, for an overpayment of $13,412 (Questioned Costs). However, the overpayment for $13,412 was not established until October 28, 2020, after APA inquiry. Payments for the weeks ending July 18, 2020, to August 8, 2020, (paid on September 8, 2020, and September 19, 2020), totaling $3,026, were still paid because the Department did not establish the overpayment timely.

- One claimant tested had received severance and bonus pay that was determined to be excessive by the Department, so overpayments were established on August 3, 2020, and August 17, 2020, for $5,912 (Questioned Costs). However, payments continued to be made through the week ending September 26, 2020, for a total of $944, which could have been used to recuperate some of the overpayments.

- One claimant reported bonus and vacation pay in the weekly certifications. However, payments, totaling $961 (Questioned Costs), were not reduced, and an overpayment had not been established.

- One claimant tested certified having received vacation, bonus, and earnings pay, but her benefit payments were not reduced. The Department paid a total of $9,108, but we calculated that only $5,060 should have been paid, for an overpayment of $4,048 (Questioned Costs).

- One claimant tested had vacation pay of $600, but the benefit payment was not reduced for that week. The claimant was paid $352 (Questioned Costs) in benefits for this week with no reduction.

- For one claim tested, the Department incorrectly reduced the maximum benefit amount (MBA) payable to the claimant by $407. It was determined that the claimant voluntarily quit employment from an employer not included in the period used to calculate the MBA. Since the employer was not in the base period, the maximum benefit amount should not have been reduced.

- Four claimants tested had an issue created in the GUS unemployment system noting that the claim "requires staff review." However, the system automatically allowed the issue for these four claims without a staff review. The Department claims to have set the system to begin automatically processing these issues on April 2, 2020; however, for each of these four claimants, the issue was allowed prior to this date.

#	Issue	Date Allowed
1	Requires Staff Review	11/10/2019
2	Requires Staff Review	3/19/2020
3	Requires Staff Review	3/14/2020
4	Requires Staff Review	3/17/2020

Neb. Rev. Stat. § 48-628.02(1) (Cum. Supp. 2018) provides the following:

An individual shall be disqualified for benefits for any week in which he or she is receiving or has received remuneration in the form of:

(a) Wages in lieu of notice or a dismissal or separation allowance;

(b) Vacation leave pay, including that received in a lump sum or upon separation from employment;

(c) Compensation for temporary disability under the workers' compensation law of any state or under a similar law of the United States;

(d) Retirement or retired pay, pension, annuity, or other similar periodic payment under a plan maintained or contributed to by a base period or chargeable employer; or

(e) A gratuity or a bonus from an employer, paid after termination of employment, on account of prior length of service, or disability not compensated under the workers' compensation law.

Good internal control requires procedures to ensure that benefit payments are proper, overpayments are established timely, and claims are properly reviewed by staff when required.

Without such procedures, there is an increased risk of improper benefit payments and overpayments not being corrected.

Charging of Employers

Per Neb. Rev. Stat. § 48-652 (Supp. 2019), employers are typically charged for benefits paid to their former employees. Through Executive Order 20-14 (April 2, 2020), however, Governor Pete Ricketts acted to "grant employers relief from charging for benefits paid to individuals eligible for unemployment benefits solely as a result of COVID-19 exposure or illness from March 22, 2020, through August 1, 2020." Executive Order 20-22 (April 30, 2020) extended the date of that relief to March 15, 2020, through August 1, 2020.

Both executive orders were aimed at providing relief specifically for employers whose workers separated for COVID-19 reasons; however, the Department expanded that relief to include any claims filed during the designated period, regardless of the reason for separation. During testing, we noted two claims for which the reason for separation was not COVID-19 and one claim that was filed prior to March 15, 2020. Nevertheless, none of the employers were charged.

Good internal control requires procedures to ensure compliance with all applicable directives contained in the Governor's executive orders.

Without such procedures, there is an increased risk of noncompliance with mandatory executive directives.

> We recommend the Department implement procedures to prevent fraudulent or improper UC benefit claims from being paid. Those same procedures should also ensure compliance with State and Federal requirements, ensuring the following: 1) recipients of benefits are eligible for those payments; 2) weekly benefit amounts are calculated correctly; 3) individuals do not receive payments from more than one program during the same week; 4) claims are reviewed by staff when necessary; 5) benefit overpayments are recouped; 6) each claimant's last separation from employment is adjudicated; and 7) approved STC plans are followed. Lastly, we recommend the Department reactivate the quarterly cross-match procedures required by Federal regulation, as well as consider reviewing those past quarters when the process had been discontinued for possible overpayment and recoupment of ineligible benefits. Due to concerns regarding possible violations of State statute and alleged fraud, we are forwarding the information herein to the Nebraska Attorney General and the Lancaster County Attorney for further review.

Department and APA Responses:

<u>Inadequate Controls, Improper Payments, and Possible Fraudulent Claims</u>

Department Response: The Nebraska Department of Labor (NDOL) does not agree to the error rate of the sample size. The quarterly wage crossmatch does not function in the way the draft management letter implies. To follow the expectations of the draft management letter, NDOL would perform activities that are not allowed by its authorizing federal agency, the United States Department of Labor (USDOL). NDOL recognizes that the quarterly wage crossmatch is required under 20 CFR § 603.23(b). The crossmatch ran for three of the four quarters under review and is currently running for the remaining quarters. Any quarter crossmatch that was not completed in FY20, will be completed in FY21, and appropriate investigations will occur. NDOL respectfully contests the treatment of PUA and UI as being part of the same program. The PUA program is a federal benefit program that does not overlap state UI benefit programs. PUA is required to be administered in accordance with the requirements dictated by USDOL.

As for the alleged lack of controls, USDOL approached all states with opportunity to suspend BAM activities in order to use highly trained staff for the increased workload. Even as to regular state UI claims, as per USDOL rules, BAM only reviews 90 paid claims per quarter and the review occurs in the quarter following actual payment. BAM reviews measure the quality of the agency's performance and are not intended to or designed to prevent improper payment at the time the weekly certification is made. NDOL agrees that the quarterly wage crossmatch is one tool that may be used to detect overpayments; however, it is not the appropriate tool for determining initial unemployment eligibility. NDOL disagrees with the expectation that a crossmatch hit is sufficient to stop payment. The crossmatch does not occur until approximately four to five months after actual payment. NDOL does not have the legal authority to stop payment on a continued claim or establish an overpayment from a crossmatch hit without an investigation. None of the APA cited controls would have impacted payments issued in the last quarter of fiscal year 2020, and all APA cited controls have been reimplemented.

APA Response: To start, the extrapolation method is in accordance with auditing standards. The dollar error rate is based, moreover, on the dollar amount of the payments tested with exceptions divided by the total payments tested in the random sample. Of importance also is that fact that many payments had more than one type of error.

NDOL claimed to have performed the crossmatch for three of the four quarters audited. Upon reviewing the system for the claimants noted in the finding, though, we were unable to see any crossmatch procedures performed for any of the above as of December 2020.

The APA understands that the USDOL has established specific parameters within which the NDOL must operate when administering benefits disbursed under the CARES Act. The fact that such restrictions may preclude certain methods of oversight or types of investigatory functions, however, does not excuse the NDOL's lack of internal controls. That paucity of safeguards is, in itself, a violation of Federal requirements.

Section 2101(f) of the CARES Act provides the following:

The Secretary shall provide the assistance authorized under subsection (b) through agreements with States which, in the judgment of the Secretary, <u>have an adequate system for administering such assistance</u> through existing State agencies.

(Emphasis added.) Pursuant to that provision, the NDOL entered into an agreement with the USDOL "in order to carry out the provisions of the Relief for Workers Affected by Coronavirus Act (Public Law 116-136)." Section VII of that agreement states the following:

The "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards [sic] at 2 CFR Part 200 apply to funds distributed under this Agreement.

The Federal regulation cited above, 2 CFR § 200.303 ("Internal Controls"), requires the NDOL to do the following:

(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 . . . .

*** * * ***

(c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.

(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Consequently, it is clear that the NDOL is required by the terms of its agreement with the USDOL, which incorporates by reference the internal control mandates of 2 CFR § 200.303, to implement sufficient safeguards to ensure the proper distribution of Federal funds under the CARES Act.

It should be noted also that UIPL No. 16-20 emphasizes this internal control requirement. Subsection 3 ("Summary and Background") of that document declares, "States play a fundamental role in ensuring the integrity of the UI Program . . . . States must ensure that individuals only receive benefits in accordance with these statutory provisions." Attachment I to UIPL No. 16-20 says, "States are also required to take reasonable and customary precautions to deter and detect fraud, such as, for example, a random audit or a sample of claims to detect fraud." (I-7) Additionally, Attachment II to UIPL No. 16-20 reiterates, "States must perform such duties and functions in accordance with Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 C.F.R. 200 . . . ."

Addressing the need to ensure that "individuals' rights are protected," Section 3 ("Background") of UIPL No. 01-16 stresses that "states have broad authority and are strongly encouraged to use a variety of methods to prevent, detect, and recover improper payments[.]" Section 4 ("Discussion"), subsection (b) ("Establishing Overpayments"), of that same document adds, "Potential UC overpayments may be identified through cross-matches, fraud hotlines, or a variety of other methods." Likewise, subsection (g) ("Requirements for Independently Verifying Information from Computer Cross-Matching") notes that "it is the responsibility of the State UC agency to take the initiative to obtain information regarding an individual's claim."

The failure of the NDOL to take such protective measures placed millions of public dollars at risk – a fact demonstrated conclusively by the numerous findings detailed throughout this Early Management Letter.

<u>Potential Fraudulent Claims</u>

Department Response: In cooperation with the OIG, NDOL has already provided relevant information regarding all pandemic claims paid in FY 20 to the OIG for investigation. This included but was not limited to: bank account, routing number, IP addresses, and personal information regarding the claimant. The OIG is comparing this data to detect potentially fraudulent accounts. All cited cases have been properly worked. Many of the cited cases are due to identity theft. The identity theft victim is not responsible for the overpayment they did not actually receive, so the overpayment is not established on the victim's claim. If the claim is fraud, it has been properly established as fraudulent. NDOL has two years to establish the overpayment and three years to refer a case for prosecution of fraud. The overpayments on all cited cases above have been established if the overpayment was not due to identity theft. NDOL has implement further controls including calls to claimants the day after they file an initial claim for unemployment insurance benefits and requiring more claimants to report directly to NDOL with identity verification. Further, investigations for fraud have been implemented based off various known fraud indicators within the system.

APA Response: The APA went to great length to keep the NDOL apprised of any concerns discovered during the audit work. Despite communicating all of the findings herein to NDOL management in October, moreover, the APA did not receive any of the information in this response until the second week in December, at the time when the response to this Early Management Letter's recommendation was due. Had greater efforts been made to work with the APA throughout the audit process, the NDOL might well have avoided – or, at the very least, ameliorated in a more timely fashion – the present issues.

Lack of Controls Over the PUA Program

Department Response: The PUA program is operated under the authority of the United States Department of Labor (USDOL) and USDOL is the cognizant federal agency for the PUA program. NDOL's agreement for administration of the PUA program on behalf of USDOL is with USDOL. In UIPL 16-20, Change 1, USDOL specifically instructed state workforce agencies that wage verification cannot be required. Per USDOL self-attestation is all that is required for PUA. The four individuals filing before April 22, 2020 certified that they were unemployed due to COVID-19 on their initial application for regular UI. NDOL added the COVID-19 reasons for unemployment listed above to the PUA unemployment application on April 22, 2020, prior to NDOL launching PUA. NDOL did not make payment under the PUA program until April 27, 2020. The PUA program did not exist until March 27, 2020 but was backdated to February 2, 2020. Nebraska's PUA application form always had the COVID-19 reasons listed. Federal guidance on PUA did not come out until UIPL 16-20 and UIPL 16-20, change 1, were released on April 5, 2020 and April 27, 2020. On August 31, 2020, USDOL issued UIPL 28-20 to provide guidance to states on addressing PUA fraud. USDOL has consistently directed states to accept self-attestation for initial PUA claim eligibility. NDOL is taking active steps to verify identity in PUA claims which does not violate USDOL's guidance. As to the $2,039 overpayment, the established date of an overpayment does not change the overpayment amount. The regular UI payment was owed to the claimant. NDOL is not required to reimburse USDOL for any PUA overpayments. NDOL disagrees with the assertion that this is a questioned cost. No liability to USDOL was created with the payment.

APA Response: As explained at length in the APA's response to the first NDOL comment herein ("Inadequate Controls, Improper Payments, and Possible Fraudulent Claims"), the USDOL restrictions do not alleviate responsibility for implementing measures sufficient to comply with the internal control requirements of 2 CFR § 200.303. When entering into the agreement with the USDOL to administer Federal benefit disbursements, the NDOL made a binding commitment to "[e]stablish 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." The issues identified in the Early Management Letter show that the NDOL failed to live up to that commitment. While addressing the importance of protecting claimant rights, UIPL No. 01-16 declares, as the APA has pointed out already, that "states have broad authority and are strongly encouraged to use a variety of methods to prevent, detect, and recover improper payments[.]" The fact that NDOL is not required to reimburse USDOL for any PUA overpayments, as asserted in the response, is irrelevant. Had proper internal controls existed, it is likely that, even if not eliminated altogether, the overpayments would have been diminished considerably.

The four claimants who filed before April 22, 2020, answered "Yes" to the question of whether their unemployment was affected by COVID-19; however, the requirements set forth by the USDOL requiring one of the 10 reasons to be explicitly answered was not contained within the application. Therefore, the claimants were ineligible for PUA benefits.

Ineligible Payments to Inmates

Department Response: The Social Security Administration (SSA) maintains a data base of all inmates incarcerated in state penal systems. During the entire fiscal year, NDOL ran weekly crossmatches of all claimants in all programs against the SSA database to determine if inmates were claiming unemployment benefits. The SSN for 5 of the 6 inmates identified in the Letter did not appear in the SSA crossmatch. Payment to the 6th inmate was due to adjudicator error.

APA Response: As five inmates were not identified by the NDOL, additional procedures should be developed to address the issue.

Excessive Wages Earned

Department Response: As written, the APA appears to misstate the 25% wage threshold set forth in Neb. Rev. St. § 48-625 and the determination of monetary eligibility. The 25% threshold involves wages ***reported by the claimant*** *during the week claimed. Only wages earned during the certified week are relevant to any applicable benefit reduction. The quarterly wage report is due the last day of the month following the end of a quarter. No weekly breakdown of earnings or hours worked is provided. Almost all claimants have wages in the quarter they file their initial claim for unemployment insurance benefits. Making a quarterly crossmatch to that quarter ineffective at best and would require a wage audit on virtually 100% of all claims filed. The 25% threshold for determining if an overpayment occurred only occurs after a wage audit, triggered by a wage crossmatch, is performed some months after the week is paid. Both USDOL and OIG have recognized the ineffectiveness of the quarterly wage crossmatch. (UIPL 35-99 and 22-06). The APA incorrectly lumps all wages earned in the quarter prior to and subsequent to the actual week claimed as basis for examining an overpayment. The comparison of missed reductions to wages earned in a quarter is not a reliable comparison for the quarter a claim is filed. The sole responsibility for accurately reporting information during a weekly certification is on the claimant. If the claimant fails to report wages earned during the week, an improper payment be established months later when the wage crossmatch occurs and investigation is completed. No crossmatch for the 2nd QTR of CY20 be performed prior to November 2020. Monetary eligibility and the determination of weekly benefit amount is done directly from the wages reported within TMS by the employer. There is no requirement for follow-up if an employer does not respond to a request for information. See ETA handbook, 301 5th addition. High quarterly earnings prior to filing for UI are not relevant, it is not a means tested program. See UI Directors' Guide – March 2020, U.S.D.O.L – ETA – Office of Unemployment Insurance. NDOL did review the above referenced claims and many were adjudicated properly.*

APA Response: Interestingly, the NDOL offers a number of reasons for the errors noted: 1) "The comparison of missed reductions to wages earned in a quarter is not a reliable comparison for the quarter a claim is filed." 2) "The sole responsibility for accurately reporting information during a weekly certification is on the claimant." 3) "There is no requirement for follow-up if an employer does not respond to a request for information." Despite these reasons, it is the duty of the NDOL to "utilize a variety of methods to prevent, detect, and recover improper payments," as explained by the USDOL in UIPL No. 01-16. The insufficiency of one internal control method does not eliminate the need for any others. Likewise, even if the claimant is supposed to report information accurately, the responsibility for ensuring proper fund disbursements rests solely upon the NDOL, and the NDOL should have adequate and reasonable procedures in place to detect errors. The lack of a USDOL requirement does not preclude utilization of a best practice by the NDOL. According to the NDOL, the crossmatch was performed for three of the four quarters audited; however, upon reviewing the system for the claimants noted in the finding, we were unable to see any crossmatch procedures performed for any of the above as of December 2020.

Improper Unemployment Benefits Paid to State Employees

Department Response: NDOL agrees that NDOL staff did not make proper use of information that was available to them and NDOL has discovered a gap in the information reported regarding non-code agencies and that gap is being corrected.

Benefits Received for Multiple Programs

Department Response: NDOL agrees that these overpayments occurred due to agency staff error.

<u>Lack of Adjudication Procedures Over Employer Responses</u>

Department Response: NDOL is not required to make another attempt to obtain additional information if a party fails to respond to a request for information during the fact-finding process. The department followed the guidelines provided in the ETA Handbook 301. During periods of low volume of unemployment claims, the department does attempt to follow-up even though it is not a federal requirement. The volume of claims during the pandemic made it impossible to follow-up as we might have in a low volume period. In each of the claims cited, the employer failed to respond. As discussed above, PUA eligibility is based on self-attestation of unemployment due to COVID-19. There is no monetary requirement, so the last day worked in covered employment is irrelevant. See UIPL 16-20, Change 1. Governor's Executive Order authorizing adjudication of only the most recent separation was signed on April 30, 2020. The EO applies to claims filed on or after March 15, 2020. NDOL had to retroactively implement the changes on claims filed prior to April 30, 2020. Reviewing separation information is a built-in part of the adjudicatory process, an adjudicator is not required to document that they reviewed the available information. NDOL did review the claims referenced, and many were adjudicated correctly.

APA Response: As stated repeatedly in the APA's responses herein, the NDOL is obligated, per 2 CFR § 200.303, to "[e]stablish 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." If strict adherence to USDOL requirements or guidelines is insufficient to permit fulfillment of that obligation, the NDOL should pursue more stringent, yet permissible, measures. This includes creating and retaining adequate documentation to support performance of an important function. Even if not required, documenting NDOL actions taken to safeguard public funds is simply an exercise in ordinary prudence and practicality.

<u>Short-Time Compensation (STC)</u>

Department Response: Employers are only required to submit substantial changes to NDOL. A slight increase or decrease for a short period of time during the plan was not considered substantial. The unpredictable nature of the pandemic made it difficult for employers to know the future hours available for employees. Employers reported the reduction in hours worked to NDOL each week as a part of the STC certification process. In approving the weekly certification, NDOL approved the modification to the plan, or determined it was not substantial.

APA Response: Title 219 NAC 19-003(N) requires a STC employer to "report <u>changes</u> to an approved STC plan, request modification of an approved STC plan, or revoke an approved STC plan." (Emphasis added.) Per Title 219 NAC 19-002(C), such "changes" mean "any deviation from the plan that affects only one individual or any deviation from the plan that affects an entire unit or units to last for two or fewer consecutive weeks."

Title 219 NAC 19-002(E) defines "substantial change" as "any deviation from the plan that affects an entire unit and is expected to last for three or more consecutive weeks or has already occurred for three or more consecutive weeks." However, as shown above, that term is not used in Title 219 NAC 19-003(N). Rather, the regulation says expressly that "changes to an approved STC plan" must be reported.

Regarding a "substantial change," Title 219 NAC 19-003(J) says, "A STC employer shall notify all affected employees of any substantial changes to the plan covering their affected unit." Additionally, Title 219 NAC 19-003(K) provides the following:

If a STC employer has a change to the plan that impacts an entire unit for more than two consecutive weeks, the STC employer shall provide good cause to the commissioner as to why this is not a substantial change to the plan.

Neither administrative regulation supersedes or eliminates the requirement to report mere "changes" under Title 219 NAC 19-003(N). If such an interpretive or supplementary rule does indeed exist, the NDOL does not cite it specifically. Furthermore, although the APA requested documentation from the NDOL of the agency's review of plan changes, those requests went unanswered. Therefore, it was reasonable to assume that the NDOL had not performed a detailed review of the changes.

Other Issues

*Department Response: The "Requires Staff Review" issue code was previously used as a "catch-all" type issue for statuses that required staff review, but did not have an individualized issue code, such as Leave Reason Mismatch, ICON Name or SSN Mismatch, Union Membership Indicated During Intake, ACH Deposit Returned by Bank, or NDNH Verification Failures (Name/SSN). We have since created specific issue codes or created separate processes for these items and allowed for the "Requires Staff Review" issue to auto-adjudicate effective October 2019. One claimant above is in bankruptcy which prevents NDOL from taking action to recover on overpayments. The claimant remained eligible for continued payments, so NDOL was legally prevented from offset due to the mandatory bankruptcy stay. The vacation pay was adjudicated correctly. Vacation pay is applied from the date of separation **not** the date the claim is filed.*

APA Response: The issue remains that items being auto-adjudicated still need staff review.

Charging of Employers

Department Response: The Department believes that the software system was set up correctly and staff were directed to make noncharging determinations in accordance with the terms of the Executive Order. The Department believes that staff may have made incorrect charging determinations given the volume of claims, and the Department is working with staff to correct those errors. A charging determination does not affect the amount of benefits paid.

APA Response: Though having no impact upon the amount of benefits paid, an erroneous charging determination does contravene not only Neb. Rev. Stat. § 48-652 (Supp. 2019) but also the express directives contained in both Executive Order 20-14 (April 2, 2020) and Executive Order 20-22 (April 30, 2020). No less consequential, such an error results ultimately in an unnecessary increase in the expenditure of public funds to compensate for the loss of employer reimbursements paid to the NDOL for benefits received by former employees.

Concluding Comment

Department Response: In closing NDOL wishes to highlight the conditions surrounding the reviewed timeframe. During the reviewed year, NDOL experienced record-breaking unemployment insurance benefit claims, essentially reviewing multiple years' worth of claims in a matter of months. From week ending March 7, 2020 to week ending May 2, 2020 alone NDOL received over 110,000 regular unemployment insurance claims. In those nine weeks, NDOL had more claims than the last two calendar years combined. Multiple new federal programs were implemented within a matter of weeks from enactment, and several emergency changes were made to existing state law. The majority of the new programs were retroactive with guidance changing regularly. The unemployment insurance program played a vital role of supporting economic stabilization in responding to the COVID-19 pandemic. It was critical to the stability of the Nebraska economy to ensure payment was made timely.

APA Response: The APA appreciates the importance of the unemployment insurance program and the hard work of the NDOL in dealing with the extraordinarily difficult circumstances precipitated by the COVID-19 epidemic. It is hoped that the information contained in this Early Management Letter will assist the NDOL in its ongoing efforts to administer the program effectively and to ensure the propriety of all benefit payments made under it.

Finding 2020-020

Unemployment Insurance Fund Issues

The Department did not have procedures to ensure the Unemployment Insurance (UI) Proprietary Fund financial statements were presented accurately for the Comprehensive Annual Financial Report (CAFR) audit. The Department performed entries within the accounting system, which were used by the Department of Administrative Services (DAS) to generate the financial statements. The financial statements required material adjustments due to duplicate or incorrect journal entries, overstated accruals, and a lack of adequate procedures to reconcile the Department's separate tax system (TMS) and benefit system (GUS) to the State's accounting system to ensure the activity was reflected properly.

For the errors detailed in the table below, the Auditor of Public Accounts (APA) proposed adjustments to ensure that the financial statements would be reflected properly.

Description	Misstatement Amount	Reason
Benefits Payable	$ 296,242,317	The Department's benefits payable was not calculated accurately. Assumptions using the last three months of claims paid in the fiscal year were used to calculate the estimate. However, this inflated the payable, as only $12 million had been paid through November 18, 2020, and the Department indicated it had caught up in the payments to individuals. The Department did not identify the issue until it was raised by the APA and corrected at that time.
Benefits Payable / Receivables	$ 93,242,673	The Department entered a payable and receivable twice in the accounting system, creating negative balances in both of $93 million. The Department did not perform procedures to identify the issue in the trial balance. DAS corrected the error after the APA proposed an adjusting entry.
EUISAA (Emergency Unemployment Insurance Stabilization and Access Act) Revenue / Payable	$ 12,145,290	Revenue of $6,072,645 and a payable to the Federal government for $4,128,834 were recorded in the UI fund, instead of the Federal fund. Furthermore, transfers of $1,943,811 between the funds should have been eliminated. The APA proposed an adjustment, but DAS did not record the correcting entry.
Payable / Receivable Eliminations	$ 11,436,600	The Department recorded a payable to and receivable from the UI fund requiring the activity to be eliminated. Neither the Department nor DAS had procedures to eliminate the activity for the financial statements. During this review, we also noted $889,941 in unrecorded revenue that required adjustment. DAS corrected the error after the APA proposed an adjusting entry.

Description	Misstatement Amount	Reason
Expenditures / Benefits Payable	$ 7,739,509	The Department did not ensure transfers in and out agreed between funding sources at fiscal year-end. DAS reclassified a portion of the difference as an expenditure for $6.2 million inappropriately. The proper entry should have reduced benefits payable for $7.8 million, as the payable established by the Department on June 30 should have been eliminated due to timing differences in the general ledger. The difference of $1.6 million was to correct a payable that DAS reversed inappropriately. DAS corrected the error after the APA proposed an adjusting entry.
CWC Receivable	$ 3,022,038	The Department failed to record the Combined Wage Claim receivable for fiscal year 2020, for $3,022,038. DAS corrected the error after the APA proposed an adjusting entry.
Accounts Receivable / Revenue	$ 1,540,313	The Department tripled an entry in the accounting system when attempting to correct an erroneous entry. DAS corrected the error after the APA proposed an adjusting entry.
Transfers / Due to Funds	$ 130,853	DAS eliminated a transfer out, as the corresponding transfer in was not recorded until the following fiscal year by the Department. The timing issue had been discussed with both DAS and the Department for several years, but no corrections have been performed to categorize the activity correctly.
Total Misstatement	**$ 425,499,593**	

We also noted the following issues during testing:

- The Department calculated a benefit overpayment receivable based on a report from its benefit system. The report was for established overpayments as of June 30, 2020, for $8.6 million. The APA performed testing of the underlying details and determined that the report was not accurately accumulating balances, as 2 of 19 claims tested reflected inaccurate balances for payments made after fiscal year end. The Department was unable to provide an accurate report. Furthermore, due to the COVID-19 pandemic, the Department paid over 10 times the annual benefits for unemployed individuals as in a normal year. As noted in the separate early communication letter to the Department dated December 16, 2020, it was behind in its review and research of potential fraudulent claims, of which totaled nearly $37 million. The Department and DAS did not consider further receivables and subsequent payables necessary for the financial statements until questioned by the APA. It could only be assumed that there would be other unrecorded receivables and subsequent payables not yet accounted for in the benefit system. Neither the Department nor DAS could come up with a reasonable estimate due to unknown factors, including a lack of research performed to identify further fraudulent claims. Therefore, no further receivable or payable was recorded in the financial statements, requiring a disclaimer of opinion to be issued by the APA.

- The Department did not ensure the Federal Trust fund balance agreed to the accounting system at the fiscal year ended June 30, 2020. An additional entry for $4,128,834 was necessary to correct the error. The Department also had a variance of $5,819 in the benefit bank account reconciliation that was not researched and resolved at fiscal year-end.

Good internal controls and sound accounting practice require procedures to ensure that documentation used to prepare the financial statements is accurate and complete.

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

> We recommend the Department work closely with DAS to establish procedures sufficient for calculating and reporting the UI fund for the CAFR. Furthermore, we recommend the Department establish procedures for its staff to review documentation, including the trial balance, and reconcile the separate TMS and GUS systems to the accounting system to identify issues that need to be rectified.

Department Response: NDOL and DAS administrations experienced unprecedented challenges brought about by the COVID-19 pandemic. Those challenges, coupled with the implementation of a new unemployment benefits system, hindered the reporting process.

NDOL will work with State Accounting to refine existing procedures for reporting Unemployment Insurance CAFR numbers. NDOL has already implemented new reporting elements in the unemployment benefits system specific to CAFR reporting.

DEPARTMENT OF TRANSPORTATION

Finding 2020-021

Federal Activity Recorded in Cash Funds

Vendor payments were recorded into the Department's Payment System (RPS), which then interfaced with the State's Accounting System to record the transactions and create payments to those vendors through a Cash Fund. These payments were then entered into the Department's Project Finance System (PFS), which allocated the project costs to the different funding sources (e.g., State funds, local funds, Federal Funds) and used to request Federal reimbursement.

Due to the process above, the funding source for the expenditures was maintained only on PFS and was not recorded or maintained on the State's Accounting System. As a result, the State's Accounting System reflected these expenditures as Cash Fund expenditures rather than Federal Fund expenditures, as required by the DAS State Accounting Manual, Application of Principles – Section AM-003, which includes the following funds 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, 2019, through June 30, 2020, the Department recorded $467,005,790 in Federal expenditures according to PFS. The Department did not complete a full reconciliation of the Federal expenditures reported for the fiscal year ended June 30, 2020. The Department planned to reconcile the remaining programs for the Statewide Single Audit.

A similar finding was noted in the previous audit.

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 State Accounting Policies are followed and establish an adequate interface between RPS and the State's Accounting System to ensure the funding is being 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 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. NDOT will continue to confer with the Department of Administrative Services regarding the State Accounting policy and take whatever follow-up actions they advise are necessary. Also, due to a retirement in a key position, there was some confusion in terms of timing and when the State Auditor's Office wished to have the full reconciliation of Federal expenditures completed. NDOT staff were prepared to complete the reconciliation but believed there would be additional follow-up from the State Auditor's Office of when that information was needed.

NDOT has conferred with Federal Highway Administration (FHWA) Nebraska Division financial staff 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, assurances have been 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.

NDOT does recognize that improvements could be made to the internal financial systems. In fact, NDOT has recently completed a financial systems modernization roadmap, which will guide future enhancement and/or replacement of some of the existing legacy systems, including the potential for NDOT to use the State's accounting system, EnterpriseOne, directly in the future. FHWA will be invited to participate in the modernization efforts. NDOT will communicate more effectively with the Auditor's Office in the future with respect to the timing of submission of the federal fund reconciliation and is also working toward automation using the existing internal financial systems that allow the reconciliation to be provided more timely.

APA Response: According to the DAS State Accounting manual, activity related to Federal grants, including Federal expenditures and reimbursements, should be recorded in a Federal fund. These expenditures are actual Federal expenditures and the current process performed by the Department does not recognize these Federal expenditures in the State Accounting system. The Department is not in compliance with the State's policies. As for the reconciliation, the Auditor of Public Accounts (APA) requested the Department's reconciliation in August 2020 and had several follow up correspondence, but did not receive a completed reconciliation prior to the completion of the Comprehensive Annual Financial Report audit.

III. Findings and Questioned Costs Relating to Federal Awards:

DEPARTMENT OF ADMINISTRATIVE SERVICES

Finding 2020-022

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, 2020) 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, 2020) 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.*

Per the DAS Facility Use Manual, "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."

2 CFR § 200.511(b) (January 1, 2020) 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:

- Procedures to ensure rate charges are equitable, reflect actual costs incurred, and are reviewed periodically to ensure charges are appropriate for the services provided.
- Adequate documentation is maintained to support both rates charged and the approval of those rates.
- Internal service rates are published and available for State agency review and applied consistently for all State agencies.

Condition: We noted the Agency's Materiel 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 groundskeeping and security costs in developing the building rental rates. A similar finding was noted in prior audits since 2015. The Summary Schedule of Prior Audit Findings lists the status as completed.

Repeat Finding: 2019-017

Questioned Costs: Unknown

Statistical Sample: No

Context: We noted the following:

Building Division
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 of Lincoln grounds and security indirect costs in developing the building rental rates. The groundskeeping allocation was split 45% turf maintenance, 30% snow removal, and 25% parking maintenance and clean up; the Agency did not have support for the split. The fiscal year 2020 indirect allocations for grounds keeping and security were $434,385 and $809,495, respectively.

Materiel Division
We tested three Print Shop billings and noted the following:

- 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 printing rates for 24 cost centers were based on calculations from fiscal year 2008, and those for 3 cost centers were based on calculations from fiscal year 2011 with a 10% rate increase in fiscal year 2019 and a 5% rate increase in fiscal year 2020. No support was provided to determine the rates were reasonable.

- 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. The Agency in fiscal year 2019 combined the two plate printing rates for metal and plastic based on usage to create an average cost of $24.52; in fiscal year 2020, the price was increased 5%. As a result, agencies printing with plastic plates were overcharged, and agencies printing on metal plates were undercharged.

2020 Materiel Division Plate Printing Rates	Published Rates	Rates Charged
Metal Plate Printing	$ 57.89	$ 25.75
Plastic Plate Printing	$ 14.96	$ 25.75

- The Agency charged a 35% markup surcharge rate for special purchases, paper costs, plate material, special order supplies, and colored ink. The published markup price was 41%. 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.

- One billing tested included 20 hours per month of Bookwork and Accounting at a rate of $49.48 per hour. There was not adequate documentation to support the number of hours billed was reasonable. Additionally, the rate charged was based on calculations performed in fiscal year 2008 with a 10% increase in fiscal year 2019 and an additional 5% increase in fiscal year 2020; the Agency did not provide documentation to show that the current rate is reasonable.

The Materiel Division had receipts from sales and services of $11,706,442 during fiscal year 2020.

Cause: Lack of supporting documentation and inadequate 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 charges. We also recommend that procedures ensure rates are equitable and reflect the actual costs incurred for services provided.

Management Response:

Building and Grounds Maintenance: Our methodology does not require corrective action. In response to this finding in a prior year, DAS created a reasonable and defensible methodology in which rates are determined. The rates are published here: https://das.nebraska.gov/budget/docs/inst/assets/2021-2023_rates-section.pdf. In January 2018 for the current biennium FY19-21 DAS State Building Division used Google Maps to assist in the allocation of the Grounds costs. This data was used to determine the number of square feet for each surface type, and the allocation used updated percentages to allocate costs using 45% for turf maintenance, 30% for snow removal and 25% for parking lot maintenance and clean up. This weighting process is the most efficient and equitable methodology to distribute grounds maintenance costs across state properties.

Security: Our methodology does not require corrective action. In January 2018, DAS State Building Division changed the allocation of the security costs from security check points to facility square feet, with the exception of the 501 Bldg, Governor's Residence, and State Capitol. This is a more accurate methodology of security costs.

Print Shop Rates: The 10% increase was applied across the board to the historical rates in order to cover costs based upon a deeply declining fund balance. Prior to 2019, the rates had not been increased since 2010. Regarding the 5% rate increase in fiscal year 2020, that was never applied or charged to customers. We agree the cost center rates should be individually supported and the teammates from Materiel, Central Finance and the IT Team have identified, and began working through, a methodology as the basis for rate setting at the cost center level.

Plate Printing Rates: Corrective action was taken during the biennium, but after rates were published. The blended rate charged is fair and equitable. The published rate of the plates is not based upon the cost of the physical plate. The rate is based upon the processing of the plate to include: labor, equipment, maintenance, and overhead. Additionally, 75% of plate printing is performed by utilizing plastic plates. In order to equitably distribute indirect costs, a blended rate was created.

Markup Surcharge Rate: Corrective action was taken during the biennium, but after rates were published. The markup has been 35% for over 40 years and is based on industry standard. This was verified with outreach to other state print shops. This markup is to cover administrative duties and costs associated with the purchase, handling, and storage of paper and supplies. The 2019 published rate was 39%, however, the Print Shop only charged 35% to continue meeting industry standard.

Bookwork and Accounting: We agree and billing should be based upon actual hours worked.

APA Response: Documentation was not adequate to support allocations and billings were reasonable and equitable.

<u>Finding 2020-023</u>

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

Grant Number & Year: Various, including #1905NE5021, FFY 2019

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 presented properly. 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, 2020) states, in part:

> *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:

> *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.

2 CFR § 200.511(b) (January 1, 2020) 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: 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 2020-005, Administrative Services did not perform a reconciliation of the SEFA to the financial statements. A similar finding was noted in the prior audit. The Summary Schedule of Prior Audit Findings lists the status as completed.

Repeat Finding: 2019-018

Questioned Costs: None

Statistical Sample: No

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

The Department of Health and Human Services did not accurately report expenditures for several programs, including underreporting CFDA 93.767 by $14,298,877 and underreporting CFDA 10.551 by $8,218,920.

Several agencies did not identify COVID-19 expenditures properly.

There were 37 programs for various State agencies that needed correction. The total expenditures and amounts provided to subrecipients reported originally and per the final SEFA were as follows:

Original SEFA		Final SEFA	
Expenditures	**Subrecipients**	**Expenditures**	**Subrecipients**
$ 3,982,978,515	$ 532,621,258	$ 4,005,193,968	$ 566,885,903

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:** The preponderance of reporting errors were caused by the Department of Health and Human Services not accurately reporting SEFA expenditures. Additionally, Administrative Services has established an account code for agencies to utilize for subrecipient payments that are to be recorded on the SEFA. Whether state agencies reporting data comes from the accounting system or from outside sources, those agencies are directly responsible for adequately reviewing their data and providing DAS accurate information. The original SEFA expenditures were under-reported by 0.56%.

COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED

Finding 2020-024

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

Grant Number & Year: H126A180040, FFY 2018; H126A190040, FFY 2019

Federal Grantor Agency: U.S. Department of Education

Criteria: Per 2 CFR § 200.302(a) (January 1, 2020):

> *[T]he 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.*

A good internal control plan requires procedures to ensure that expenditures are reported properly and agree to accounting records.

Condition: The Agency did not report expenditures accurately and did not include all expenditures on the annual RSA-2 report or on SF-425 reports.

Repeat Finding: No

Questioned Costs: None

Statistical Sample: No

Context: We tested the final SF-425 report for grant H126A180040. The Agency did not report the amount of pre-employment transition services on line 12 of the SF-425 report. The Agency should have reported $482,582.

During review of the annual 2019 RSA-2 report, we noted that the Agency did not include all applicable accounts and expenditures and, in some cases, included the same expenditures on multiple lines. As a result, we noted the following errors:

Line	Reported	Actual	Variance
Schedule 1. Agency Expenditures			
1.A. Direct Administration Costs	$ 634,915	$ 643,910	$ (8,995)
2.A.2.b. All other services, including Orientation, Mobility and Rehab Teaching/Training Services Costs	$ 524,267	$ 527,876	$ (3,609)
2.B.3. Other Public Vendors	$ 143,372	$ 151,715	$ (8,343)
2.B.4. Other Private Vendors	$ 615,942	$ 511,776	$ 104,166
4.A. Total SE Program Expenditures included in Sections 1, 2, and 3 above	$ 58,874	$ 60,461	$ (1,587)

Line	Reported	Actual	Variance
Schedule III.			
1. Assessment	$ 1,331	$ 1,156	$ 175
8. On-the-job Training	$ 9,863	$ (1,218)	$ 11,081
11. Job Readiness Training	$ 120	$ (280)	$ 400
12. Disability Related Skills Training	$ 7,655	$ 7,444	$ 211
13. Miscellaneous Training	$ 259,571	$ 270,506	$ (10,935)
17. On-the-job Supports: Supported Employment	$ 5,117	$ 5,500	$ (383)
18. Transportation	$ 10,502	$ 7,908	$ 2,594
19. Maintenance	$ 63,225	$ 12,534	$ 50,691
20. Rehabilitation Technology	$ 26,190	$ (3,781)	$ 29,971
21. Reader	$ 641	$ (3,146)	$ 3,787
22. Interpreter	$ 10,288	$ 7,478	$ 2,810
23. Personal Attendant	$ 7,560	$ 4,745	$ 2,815
28. Other Services	$ 153,997	$ 92,578	$ 61,419
29.A. Total SE Program Service Expenditures included in Schedule III	$ 58,874	$ 59,320	$ (446)

Cause: Employee Error.

Effect: Inaccurate information was reported to the Federal government.

Recommendation: We recommend the Agency improve its procedures to ensure expenditures are reported properly and agree to accounting records.

Management Response: A second staff person will be trained to review and verify expenditures reported on all Federal Reports.

DEPARTMENT OF EDUCATION

Finding 2020-025

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, 2020) requires costs charged to Federal programs to be reasonable, necessary, and adequately documented.

2 CFR § 200.430(i)(1) (January 1, 2020) 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, 2020) 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[.]*

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 1 of 25 subrecipient aid payments tested. The documentation provided 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: 2019-020

Questioned Costs: $9,882 known (H027A170079 – $4,782; H027A180079 – $5,100)

Statistical Sample: No

Context: We tested 25 subrecipient payments, totaling $6,706,343, and noted that $9,882 did not have adequate documentation to support that expenditures were allowable and in accordance with Federal cost principles. The Agency did not have adequate payroll support for one subrecipient tested, such as time-and-effort logs, time certifications, or other payroll documentation to ascertain the expenditures were in accordance with Federal regulations.

Federal payment errors noted within the sample were $9,882. The total Federal sample tested was $6,706,343, and total subrecipient aid expenditures paid with Federal funds during the fiscal year were $74,332,726. The Federal dollar error rate for the sample was 0.147% ($9,882/$6,706,343), which estimates the potential dollars at risk for fiscal year 2020 to be $109,269 (dollar error rate multiplied by population).

Cause: Inadequate Procedures. The subrecipient did not have adequate documentation on file to support the payment tested.

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 continue to improve its procedures to monitor subrecipients, including a review of payroll documentation. We further recommend adequate documentation be maintained to support that expenditures are allowable and in accordance with Federal cost principles.

> **Management Response:** The scope of the single audit samples and tests sub-recipient aid payments (or reimbursement request primary documentation). Under the Department's environment, the Budget Management Specialist under the Office of Budget & Grants Management conducts a sampling of each reimbursement request prior to payment, which includes an overview of the grantee general ledger and supporting documentation for a preliminary review of reasonableness and allowability. If there are any unusual assessments within this sample, sub-grantees are contacted to provide additional documentation or clarification. The Department also has the option to cash advance in-lieu of any review, recognizes primary documentation can be altered, and review of reimbursement requests is not an internal control recognized by the CFR, therefore reimbursement requests are sampled, are not performing 'fiscal monitoring' activities per the CFR or the source for the Department's sub-recipient internal control activities.
>
> The 'condition' of the finding indicates the Agency did not have adequate subrecipient monitoring procedures for 1 of 25 subrecipient aid payments tested. The Grant Compliance Section under the Office of Budget & Grants Management is the dedicated sub-recipient fiscal monitoring and internal control unit which audits a minimum of 80 subrecipients in a given year with a variance of entities visited due to the nature of risk assessment driving the need. The Nebraska Department of Education notes, 25 fiscal monitoring completed audits (which including review results, financial & supporting documentation, questioned costs, non-compliance, and technical assistance) from the 80 sub-recipients fiscally monitored for this fiscal year were not requested by the Nebraska APA during this single audit review as indicated. Also, fiscal monitoring reviews may include a different sampling of aid payments tested for payroll documentation, payroll distribution, Time & Effort Reporting in accordance with Federal requirements other than the one reimbursement request (aid payment) the Nebraska APA is testing.

APA Response: The Agency did not have adequate documentation to support payroll charges for the subrecipient tested. We requested support from the Agency for fiscal monitoring documentation and provided the Agency the opportunity to obtain support from the subrecipient for the payment tested. The Agency did not provide adequate documentation to support the charges were in accordance with Federal cost principles.

Finding 2020-026

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

Grant Number & Year: H027A180079, FFY 2019; H173A180077, FFY 2019; H027A190079, FFY 2020; H173A190077, FFY 2020

Federal Grantor Agency: U.S. Department of Education

Criteria: 34 CFR § 300.705 and 300.816 (July 1, 2019) 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, 2019) 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, 2019) 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 allocations tested. A similar finding was noted in the prior audit.

Repeat Finding: 2019-021

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 25 allocations that were paid to school districts during the fiscal year ended June 30, 2020. We tested the 2018-2019 school year allocation for 16 school districts and noted errors for 3 of 16. For those three school districts and six additional school districts, we tested the 2019-2020 allocation and noted errors for two of the nine school districts. The Agency did not include the non-public school membership counts within the correct public school districts. 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 noted for school year 2018-2019 were $28,700 and $91,134 over-allocated and $13,045 under-allocated. Variances for school year 2019-2020 were $9,750 and $11,073 over-allocated. Allocations tested for 2018-2019 totaled $16,728,486. Allocations tested for 2019-2020 totaled $21,300,970. Total allocations were $46,607,225 and $46,931,706 for school years 2018-2019 and 2019-2020, respectively.

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:** Modified procedures to address this issue were implemented with the FFY2020 IDEA grant LEA allocation calculations in May 2020 for the 2020-21 school year. Modified procedures were implemented with the incorporation of non-public student data with public school district student data in determining allocations based on membership and poverty. The modification consists of the student data calculation conducted separately by two individuals. The individual results are compared and any differences are reconciled if needed.

<u>Finding 2020-027</u>

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 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 § 200.511(b) (January 1, 2020) 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 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: 2019-022

Questioned Costs: None

Statistical Sample: No

Context: We tested five equipment expenditures of over $5,000 and noted that four lacked documentation of vested interest. The Agency had an agreement on file for each client, but the agreement did not establish the Agency's vested interest in the equipment. Each of the four clients received a driving system modification ranging from $5,270 to $31,917. We did not consider these costs to be questioned, as it appeared the equipment was still in use.

The Agency's corrective action plan stated it would review its policies to ensure that they are in compliance with State and Federal regulations and make any changes required. Per the Summary Schedule of Prior Audit Findings, the corrective action plan had been completed as of June 30, 2020; however, we noted that the new policy requiring all purchases over $5,000 to require a vested interest form signed by the client was not implemented until September 30, 2020.

Total Federal aid expenditures for the fiscal year was $2,148,630.

Cause: The Agency did not implement its new procedures until September 30, 2020, to ensure that the Agency had a vested interest in equipment over $5,000.

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's previous Equipment Recoupment chapter exempted certain items from being recouped. Since Vested Interest was a part of the equipment recoupment process, items on the equipment recoupment exemption list were also exempted from vested interest. Based on last year's audit finding, a separate chapter on Vested Interest was issued on September 30, 2020 that requires vested interest on all equipment over $5,000, regardless of whether or not the equipment is being recouped. The items reviewed in this audit were all purchased prior to the implementation of the new chapter, so the acceptance agreement forms used did not include the revised language regarding vested interest. As of September 30, 2020, all equipment $5,000 and over are required to have an Acceptance Agreement form (stating that VR retains a vested interest).
>
> In addition to revising the policy as described, Nebraska VR made adjustments to its case management system (QE2) and completed state-wide training for staff (September 2020). Additionally, in order to ensure appropriate implementation, a Nebraska VR Program Director is receiving quarterly reports of cases which fall within the requirements of this policy and is reviewing the file information to ensure compliant implementation of the chapter and applicable forms. The most recent quarterly review was conducted on February 12, 2021. Three (3) files were reviewed and all three were compliant with the Vested Interest chapter.

Finding 2020-028

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

Grant Number & Year: Various, including H126A200039, FFY 2020

Federal Grantor Agency: U.S. Department of Education

Criteria: According to the Reporting Manual for the Case Service Report (RSA-911) (June 2017):

> *In accordance with 34 CFR 361.12, VR agencies must implement policies and procedures that ensure the proper and efficient administration of the VR program, including those necessary to carry out all functions for which the State is responsible under this program. These methods must include procedures to ensure accurate data collection and financial accountability. It is incumbent on VR agencies to establish policies and procedures that ensure the accurate collection, retention, and timely reporting of all data.*

A good internal control plan requires procedures to ensure that the data reported is accurate.

Condition: The Agency was not pulling in the Start Date of Employment in Primary Occupation (data element 350) accurately on the RSA-911 report.

Repeat Finding: No

Questioned Costs: None

Statistical Sample: No

Context: The RSA-911 report is a set of data elements that State VR agencies must submit on a quarterly basis. We tested the RSA-911 report for the period ending March 31, 2020. We selected 25 clients to trace the seven key line items identified on the compliance supplement to the Agency's case management system. Three of 25 client records did not include a Start Date of Employment in Primary Occupation on the RSA-911 report; however, per the Agency's case management system, the clients had started employment and there should have been a date reported.

Cause: The reporting code was not pulling in the information onto the report correctly. Also, the Agency did not have adequate procedures to ensure that the report was complete and accurate.

Effect: Inaccurate information was reported to the Federal government.

Recommendation: We recommend the Agency implement procedures to ensure data is reported properly.

> **Management Response:** VR discovered a bug in the reporting code that occurred due to changes in RSA requirements. The errant reporting code sets the Start Date of Employment in Primary Occupation (data element 350) if a client is in Employment Follow-up. There are times when a client is placed in Employment Follow-up and then the case is closed (successful outcome) in the same quarter. In cases that are closed, the client is no longer in Employment Follow-up, so the Start Date of Employment in Primary Occupation (data element 350) was not reported.

<u>Finding 2020-029</u>

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

Grant Number & Year: H126A180039, FFY 2018; H126A190039, FFY 2019

Federal Grantor Agency: U.S. Department of Education

Criteria: Per 2 CFR § 200.302(a) (January 1, 2020):

> *[T]he 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.*

According to the RSA-2 report instructions (October 25, 2013), direct administration costs are to be entered as follows:

> *Enter the amount expended on direct costs, including administration personnel, and all other VR and SE program administrative expenses. Other administrative expenses include staff travel, rent utilities, and supply costs, etc. of administration, district, and field offices, as well as personnel costs of supervisors who do not manage a caseload or perform the functions of a VR counselor.*

Per 34 CFR § 361.5(2) (July 1, 2019), administrative costs are defined as follows:

> *Administrative costs under the vocational rehabilitation services portion of the Unified or Combined State Plan means expenditures incurred in the performance of administrative functions under the vocational rehabilitation program carried out under this part, including expenses related to program planning, development, monitoring, and evaluation, including, but not limited to, expenses for –*
>
> * * * *
>
> *(viii) Operating and maintaining designated State unit facilities, equipment, and grounds, as well as the infrastructure of the one-stop system;*
>
> *(ix) Supplies;*

A good internal control plan requires procedures to ensure expenditures are reported properly.

Condition: The Agency did not accurately report expenditures on the annual RSA-2 report.

Repeat Finding: No

Questioned Costs: None

Statistical Sample: No

Context: The Agency records all costs at each of its field offices to line 2.A.1. Services Provided by Agency Field Office Staff. On the 2019 RSA-2 report, the Agency reported $11,353,615 on this line. However, this amount includes rent, supplies, utilities, and other costs that should have been reported on line 1.A. Direct Administration Costs, totaling $1,603,084.

Cause: The Agency considers all expenditures incurred at the field offices as Services Provided by Agency Field Office Staff.

Effect: Inaccurate information was reported to the Federal government.

Recommendation: We recommend the Agency update its procedures to ensure expenditures are reported properly.

Management Response: Nebraska VR has historically reported Administrative Costs based on the definition from the federal regulations cited in the instructions for the RSA-2 (34 CFR 361.5(b)(2)) - (2) Administrative costs under the vocational rehabilitation services portion of the Combined State Plan means expenditures incurred "*in the performance of administrative functions*." The Regulations provide examples of expenditures, all of which Nebraska VR reports as administrative costs, if they are incurred "in the performance of an administrative function".

The instructions for the RSA2 define Administration Expenditures to include "staff travel, rent, utilities, and supply costs, etc. of administration, district, and field offices". For the administrative staff housed in our field offices, Nebraska VR has reported expenditures for their travel, rent, utilities, supplies, etc. as administrative costs. However, the rent, travel, utilities, supplies for field staff (e.g. specialists, associates, etc.) are not incurred "in the performance of an administrative function", so Nebraska VR has not been reporting these expenditures as administrative costs.

Nebraska VR has verified with RSA that the definition of administrative expenditures on the RSA-2 was expanded to include additional cost categories, such as –

A. Personnel costs of district and field office supervisors, unless the supervisor is managing a caseload or performing functions of the VR counselor; and

B. Staff travel, rent, utilities, and supply costs, etc. of field offices, with the exception of travel costs directly related to the provision of VR services, which are not administrative (34 C.F.R. 361.5(c)(2)(xii).

Finding 2020-030

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

Grant Number & Year: S287C170027, FFY 2018; S287C180027, FFY 2019

Federal Grantor Agency: U.S. Department of Education

Criteria: Per Title 2 CFR § 200.403 (January 1, 2020), allowable costs must be necessary, reasonable, and adequately documented.

Title 2 CFR § 200.430(i)(1) (January 1, 2020) 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.*

Title 2 CFR § 200.331 (January 1, 2020) 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.

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.

Condition: The Agency did not have adequate support on file for 7 of 15 subrecipient aid payments tested.

Repeat Finding: 2019-024

Questioned Costs: $74,030 known (S287C180027)

Statistical Sample: No

Context: We tested 15 subrecipient payments, totaling $365,843, and noted that $74,030 did not have adequate documentation to support that expenditures were allowable and in accordance with Federal cost principles. Several employees' salaries were included in the reimbursement request, and there was not adequate support to tie the documentation to the amounts being requested for reimbursement. For three subrecipients, there was not adequate support for the allocation of time worked; three subrecipients did not have adequate support, such as payroll registers to tie timesheets to actual hours paid or the timesheets did not support the hours paid; and one subrecipient did not provide support for purchased services and supplies, such as invoices, receipts, and contracts for a total of $12,872. The limited monitoring performed by the Agency did not include adequate support to ensure the subrecipients used the subaward for allowable activities. Furthermore, two subrecipients were overpaid $100 and $173, respectively, as costs requested for reimbursement did not agree to the general ledger reports of actual costs incurred.

Subrecipient aid payments for the fiscal year ended June 30, 2020, totaled $5,750,290. The sample tested totaled $365,843. Based on the sample tested, the case error rate was 46.67% (7/15). The dollar error rate for the sample was 20.24% ($74,030/$365,843), which estimated potential dollars at risk for fiscal year 2020 to be $1,163,859.

Cause: Inadequate procedures.

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 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.

> **Management Response:** The Budget Management Specialist under the Office of Budget & Grants Management and the 21st CCLC Director under the Office of ESEA Programs 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 programmatic desk monitoring under the Office of ESEA Programs are additional strategies utilized to mitigate risk. All programs receive and on-site programmatic monitoring visit in year 3 of the 5-year grant where the 21st CCLC 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 programmatic monitoring or additional technical assistance.

On behalf the Nebraska's FFY 2018 and FFY2019 Single State Audit Resolution's the Nebraska Department of Education engaged in Federal corrective action plans commencing in April 2019 through December 2020. Per the USED, a reasonableness check of reimbursement requests (or primary documentation) did not identify questioned costs or meet the Standards for Internal Control in the Federal Government (Green Book) or under the 2CFR Part 200: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. The Nebraska Department of Education diligently over this timeframe and under the guidance of USED Federal Compliance Specialists and to recognize Federally approved practices worked with other State Department of Education SEAs to establish the Grant Compliance Section under the Office of Budget & Grants Management. This section is a dedicated unit to federal internal controls and Federal award fiscal activities. On July 1, 2020, the Department deployed a standardized practice of sub-recipient internal controls: fiscal monitoring policy and procedures for LEAs subrecipients under 2 CFR § 200.332, control environment, risk assessment, technical assistance through the lifecycle of a grant, non-compliance measures, single audit practices, and sub-recipient fiscal monitoring. Fiscal monitoring reviews financial primary documentation (including 2 CFR § 200.430(1)(i) noted) and establishes that a sub-recipient has internal controls in place for these Federal awards supported by policies, procedures, and engages in established practices. Fiscal monitoring also provides one-on-one technical assistance where and when it is needed as well as through scheduled events through the year. Sequential sampling monitoring ensures that the NDE monitors all subrecipients effort at any given point in time on a 1-to-3-year cycle based on level of risk (23 data-driven evidenced based indicators), level of award and if under a corrective action from prior monitoring cycles. The Nebraska FFY20 Single State Audit encompassed review of reimbursement request primary documentation and programmatic monitoring outside of the Grant Compliance Section's internal control standards for sub-recipient fiscal monitoring, questioned costs, and non-compliance systematic activities performed each year.

Finding 2020-031

Program: CFDA 84.367 – Supporting Effective Instruction State Grants – Allowability

Grant Number & Year: S367A170026, FFY 2018; S367A180026, FFY 2019; S367A190026, FFY 2020

Federal Grantor Agency: U.S. Department of Education

Criteria: 2 CFR § 200.403 (January 1, 2020) contains certain factors affecting the allowability of costs, stating, in part:

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

* * * *

(g) Be adequately documented.

2 CFR § 200.430(i)(1) (January 1, 2020) 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.

Condition: Three of 25 payments tested were not in accordance with Federal requirements. A similar finding was noted in the prior audit.

Repeat Finding: 2019-026

Questioned Costs: $29,669 known (S367A180026)

Statistical Sample: No

Context: For one payment tested to a school district, a time and effort summary was provided that stated the employee worked 100% on one Federal program. However, payroll documentation provided by the school showed that the employee also worked on another Federal program. As such, the time and effort certification is not a valid method to document time worked. The Agency also took exception to the time and effort summary in its subrecipient monitoring of the school district.

One payment tested reimbursed a school district $50 for admission to an observation tower in Chicago, Illinois. The expense did not appear to meet the definition of professional development under 20 U.S.C 7801(42). For another payment, the school district incurred a lodging expense that appeared excessive. Five individuals stayed three nights for a conference in Austin, Texas. The total room rate billed, prior to taxes, was $3,241, which equates to a room rate of $216 per night. The U.S. General Services Administration (GSA) rate for that location was $145 per night, or $2,175 for the trip. The difference is $1,066. The hotel was not at the conference location but was nearby, and the employees also had a rental car.

Aid payments for the fiscal year ended June 30, 2020, totaled $8,876,443. The sample tested totaled $813,335. The dollar error rate for the sample was 3.65% ($29,669/$813,335), which estimated potential dollars at risk for fiscal year 2020 to be $323,990.

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 implement procedures to ensure adequate documentation is maintained to support that expenditures are allowable and in accordance with Federal cost principles. We also recommend the Agency ensure all expenses are reasonable and necessary for the Federal program.

Management Response: The $50 reimbursement for admission to an observation tower was provided as professional development under 20 U.S.C 7801(42) as this was considered reasonable educational experience rather than entertainment, which could have been shared in the classroom. The total amount of the reimbursement to school district was $596,401, making the $50 fee immaterial and insignificant.

The lodging reimbursement for 5 individuals for 3 nights to attend a conference at the Austin Convention Center was provided as this was reasonable effort to avoid the higher costs of staying at the Austin Convention Center with further effort and savings acquired by utilizing the most economical carpooling method of renting a car for transportation of 5 people over the course of 3 days verse other higher cost modes of transportation and/or higher individual transportation costs.

Finding 2020-032

Program: CFDA 84.367 – Supporting Effective Instruction State Grants – Special Tests

Grant Number & Year: S367A170026, FFY 2018; S367A180026, FFY 2019; S367A190026, FFY 2020

Federal Grantor Agency: U.S. Department of Education

Criteria: 34 CFR § 299.7(a)(1) (July 1, 2019) states:

> *Expenditures of funds made by an agency, consortium, or entity under a program listed in §299.6 (b) 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, taking into account the number and educational needs of those children and their teachers and other educational personnel.*

Good internal control requires procedures to ensure that non-public schools receive an equitable proportion of funds.

Condition: Two of nine districts tested with non-public schools had an incorrect calculation of the per-pupil rate.

Repeat Finding: No

Questioned Costs: $1,328 known (S367A180026)

Statistical Sample: No

Context: For one of the nine public schools, administrative costs (indirect costs) of $500 were added to the total LEA Allocation; however, this amount was not included in the school's approved budget. The result is that the amount available to the public school and the non-public school was incorrect. The amount available to the public school was under calculated by $413.

For the other school, $1,000 of administrative/indirect costs were budgeted for the year; however, the $1,000 of administrative/indirect costs were not added to the total LEA Allocation, which lowered the NDE per-pupil rate to $24.65, instead of $25.31. The result is that the amount available to the public school and the non-public school was incorrect. The amount available to the public school was overcalculated by $915.

Cause: Inadequate procedures.

Effect: Without adequate supporting documentation and monitoring procedures, there is an increased risk that Federal awards will not be in compliance with requirements of the program.

Recommendation: We recommend the Agency implement procedures to ensure the per-pupil cost amounts are calculated correctly.

> **Management Response:** NDE agrees with the finding.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding 2020-033

Program: CFDA 93.575 – Child Care and Development Block Grant; CFDA 93.658 – Foster Care Title IV-E – Allowable Costs/Cost Principles

Grant Number & Year: 0G1901NECCDD, FFY 2019; 01901NEFOST FFY2019

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

Criteria: Per 45 CFR § 75.405(a) (October 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 45 CFR § 75.303 (October 1, 2019):

> *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 § 98.67(a) (October 1, 2019):

> *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.*

Per the Cost Allocation Plan (CAP) cost pool 25C21920 FO Child Protection and Safety Services:

> *The Child Welfare and Adult Protective and Safety Services include prevention activities and coordination, child and adult protective services, foster care and independent living, adoption, domestic violence, safety and treatment services, and educational initiatives. There are approximately 334 FTEs in the cost center . . . allocated to the benefiting programs based on the CFSS RMTS results.*

Per the CAP cost pool 25C21460 Economic Assistance Policy Chief:

> *The Economic Assistance (EA) office develops policies, procedures and regulations for the direct aid to beneficiaries for EA programs. There are approximately four FTEs in the cost center . . . . The cost center will be allocated to benefiting cost centers based on SSW RMTS results.*

Good internal control requires procedures to ensure that all payroll costs are properly coded to ensure that costs are allocated to the proper funding source for activities performed.

Condition: Two of 25 employees tested were not charged to the proper grant.

Repeat Finding: No

Questioned Costs: $1,786 known; 0G1901NECCDD

Statistical Sample: No

Context: We tested one paycheck each for 25 employees paid with Federal funds and noted the following:

- One employee, a Program Specialist, had his time coded to Child Care Economic Assistance Policy, CFDA 93.575; however, the employee's time should have been charged similarly to that of his supervisor, which was charged to Temporary Assistance to Needy Families (TANF), CFDA 93.558. As a result, the Child Care Development Block Grant was overcharged $1,786, and TANF was undercharged $1,786. Federal payroll charged to the Child Care Cluster totaled $7,455,188 for the fiscal year.

- Another employee had payroll of $1,761 charged 100% to Foster Care Title IV-E and CAP cost pool 25C21920 FO Child Protection and Safety Services; however, the employee should have had payroll charged to CAP cost pool 25C43160 – Child Welfare Administration. The employee was formerly a child and family services specialist (CFSS), which correctly allocates to cost pool 25C21920; however, she was promoted to program specialist, and her payroll coding was not updated properly. CAP cost pool 25C21920 distributes costs to various programs based on the Random Moment Time Study, while CAP cost pool 25C43160 is charged 100% to Child Welfare. 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 that provides a method to calculate the effect of changes in the CAP.

The Agency charged $109,693,316 in payroll costs to Federal funds during the fiscal year ended June 30, 2020.

Cause: The Agency failed to update coding when employees shifted positions and activities.

Effect: Payroll costs were not allocated properly to benefitting programs.

Recommendation: We recommend the Agency improve procedures to ensure that employees' time is recorded properly and charged to benefitting programs.

Management Response: Agree

Finding 2020-034

Program: CFDA 93.658 – Foster Care Title IV-E; CFDA 93.778 – Medical Assistance Program – Allowable Costs/Cost Principles

Grant Number & Year: 2001NEFOST, FFY 2020; 2005NE5ADM, FFY 2020; 1905NE5ADM, FFY 2019

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

Criteria: Per 45 CFR § 75.303 (October 1, 2019):

> *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, 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 the CAP, the cost center Field Office Resource Development is:

> *[A]llocated to the benefiting programs based on Time and Effort Reports prepared by the DHHS Resource Developers in the cost center. The costs for MLTC [Medicaid] activities will be further split into Medicaid 50% and Children's Health Insurance Program (CHIP) based on eligibility status.*

Per the CAP, the cost center Central Services and Supplies is:

> *[F]or the department's centralized offices . . . [c]osts include office supplies, communications, data services, postage, printing services . . . rent . . . . Similar costs for the offices located with a service office or at a residential facility are directly identified and not included in the allocated cost center . . . . These costs will be allocated to all benefiting cost centers based on the labor hours, LH2, related to each cost center.*

Per the CAP, LH2 is defined as "For DHHS [Agency] FTEs [fulltime equivalencies] excluding those at 24-hour facilities and Field Offices."

Per the CAP, the cost center Children and Family Services Director's Office "is responsible for the overall direction and management of the division . . . . The cost center will be allocated to all other cost centers in the division based on the labor hours, LH1, in each cost center."

Per the CAP, LH1 "includes all DHHS FTEs but only one-third of those located at the 24-hour facilities."

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

Condition: The Agency lacked 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 the labor hours allocation tested or the time and effort allocation tested. A similar finding has been noted since 2013.

Repeat Finding: 2019-028

Questioned Costs: $363,998 known

CFDA	Grant #	Questioned Costs (Federal Share)
93.658	2001NEFOST	$ 30,176
93.778	2005NE5ADM	$ 17,075
93.778	1905NE5ADM	$ 316,747

Statistical Sample: No

Context: The following errors were noted:

<u>Time and Effort</u>
We tested the Field Office Resource Development cost center for the quarter ended March 31, 2020, which allocated $1,175,528 to benefiting programs.

- All the MLTC, hours were allocated to Medicaid when they should have been allocated to both Medicaid and CHIP. These errors caused $34,150 to be allocated to Medicaid that should have been allocated to CHIP, resulting in Federal questioned costs of $17,075 to the Medicaid program and an undercharge to CHIP.

- One staff assistant originally worked in the resource development section, but switched to the Protection and Safety division after her supervisor terminated. Her pay was not updated to charge to the new business unit. Therefore, Foster Care was overcharged $1,870 with corresponding undercharges to various Federal and State programs.

The questioned costs noted are for the cost centers tested; similar errors would likely occur in other cost centers and quarters. A total of nine cost centers are allocated based on Time and Effort; we tested two of these and had issues with one. Total costs allocated via Time and Effort were $3,617,414 for the quarter ended September 30, 2019, and $3,434,143 for the quarter ended March 31, 2020.

Labor Hours

The Central Services and Supplies cost center for the quarter ended September 30, 2019, allocated $2,043,441 to benefiting programs.

- Total hours allocated were 669,727. The contractor included 269,539 hours for field offices and 5,045 hours for facilities that should have been excluded. This oversight resulted in numerous undercharges and overcharges to Federal and State programs. 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 effect of changes in the CAP. However, we did note that the largest cost center variance resulted in questioned costs to Medicaid of $316,747 (Federal Share).

The Children and Family Services Director's Office cost center for the quarter ended March 31, 2020, allocated $1,220,722 to benefiting programs.

- Labor hours used were for the wrong quarter – December 31, 2019, data was used for the March 31, 2020, quarter.

- The Agency allocated costs to the incorrect cost center as follows:

Cost Center Should be Allocated	Costs Center Actually Allocated	Hours
FO Protection & Safety Hotline	Case Management Training	21,785
FO Resource Development	FO Protection & Safety Hotline	41,273

- Total labor hours during the March 2020 quarter were 1,777,467, but the Agency failed to include 17,004 hours for temporary salaries.

- These oversights resulted in numerous undercharges and overcharges to Federal and State programs – not only for the cost center tested but also for *all* cost centers that allocate based on labor hours. 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 effect of changes in the CAP. However, we did note that the largest cost center variance resulted in questioned costs to Foster Care of $28,306.

Fifty-three cost centers are allocated based on labor hours; we tested three of these and had issues with two of them: a 67% error rate. Total costs allocated via labor hours were $15,032,130 for the quarter ended September 30, 2019, and $13,346,948 for the quarter ended March 31, 2020.

Cause: Clerical errors.

Effect: When costs are not allocated correctly, 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: Agree

Finding 2020-035

Program: Various, including CFDA 93.778 – Medicaid – Allowable Costs/Cost Principles

Grant Number & Year: Various, including 2005NE5ADM, FFY 2020

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

Criteria: Per 45 CFR § 75.303 (October 1, 2019):

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.

45 CFR § 75.403 (October 1, 2019) requires costs to be reasonable, necessary, and adequately documented.

Per the CAP, the cost center IST Fiscal Projects Billing is:

OCIO payments relative to NFOCUS system . . . . Costs associated with the IST Application SVCS NFOCUS Application Office will be 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.

45 CFR § 75.405 (October 1, 2019) states, in part, the following:

(a) 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.

Good internal control requires procedures to ensure contract payments are reasonable, and costs are allocated in accordance with Federal requirements.

Condition: Operating expenditures were neither adequately supported nor reasonable, resulting in questionable costs to Federal programs. A similar finding was noted in the prior audit.

Repeat Finding: 2019-029

Questioned Costs: $60,074 known

Statistical Sample: No

Context: We randomly selected 26 Agency operating expenditures paid with Federal funds and noted the following:

- The Agency paid First Data Government Solutions LP (First Data) $66,749 to monitor Eligibility and Enrollment Solution projects during November 2019. However, the Independent Verification & Validation (IV&V) report, provided by First Data indicated that First Data found no data, identified no risks, made no observations, and participated in no meetings since August, 2019. Furthermore, the Agency was not able to provide supporting documentation that First Data was providing actual and necessary services at this time. The contract with First Data was from December 2016 through November 2019 to provide monthly IV&V reports on the project; however, the terms of the contract state:

> *The State, in its sole discretion, may terminate the contract for any reason upon thirty (30) calendar day's [sic] written notice . . . . The State may, at any time work is in progress, by written agreement, make alterations in the terms of work as shown in the specifications, require the Contractor to make corrections, decrease the quantity of work, or make such other changes as the State may find necessary or desirable.*

Because there appears to have been no activity on the project during this time, the Agency should have amended or terminated the contract and avoided making this payment to First Data. The transaction was paid 90% Federal funds and 10% State funds. As a result, we question costs of $60,074, the Federal portion of the payment.

- Two payments tested, totaling $277,164, were for technology fees by the Department of Administrative Services Office of Chief Information Officer (OCIO). The Agency allocated these costs among the different programs, based on point-in-time reports listing the number of registered users on each program. The Agency did not document these point-in-time reports; thus, the auditor was unable to verify that costs were allocated properly. Additionally, all of these costs were coded to CAP BU 25C20944 – IST Fiscal Project Billing, this BU is specifically for "*OCIO Payments relative to NFOCUS Systems.*" However, charges included were for MMIS, CHARTS, and NFOCUS, and other fees; thus, the coding of charges related to MMIS, CHARTS, and other fees to this BU resulted in an overstatement of costs coded to NFOCUS, and an understatement of costs coded to CHARTS and other programs. For the two payments tested, the NFOCUS CAP BU overcharges totaled $65,642 ($6,904 CHARTS/$58,738 Other Fees). Due to the nature of the error and lack of documentation on file, questioned costs for individual Federal programs could not be determined.

- One $87,239 payment to the OCIO was for 164,601 software and license purchases for the Access Manager Program. The Agency was unable to provide supporting documentation that 164,601 licenses were actually purchased on behalf of the programs charged.

The total Federal sample tested was $398,587, and operating expenditures paid with Federal Fund 40000 during the fiscal year totaled $114,246,515.

Cause: Inadequate policies and procedures for review and documentation of expenses.

Effect: Without adequate documentation to support the allocation of costs, there is an increased risk that programs are not being charged the proper amount. Payments to contractors without any documented service or benefit increases the risk of wasting State and Federal funds.

Recommendation: We recommend the Agency improve procedures to ensure that cost allocations are properly documented, and that documentation is retained on file. We further recommend procedures be improved to ensure the State receives adequate services or benefits from a contractor before payments are made.

Management Response: Partially Agree

APA Response: We disagree that 45 CFR § 95.626 requires an IV&V contractor to be paid for periods during which services are not provided.

<u>Finding 2020-036</u>

Program: CFDA 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children; CFDA 93.243 – Substance Abuse and Mental Health Services Projects of Regional and National Significance; CFDA 93.674 – John H. Chafee Foster Care Program for Successful Transition to Adulthood – Allowability & Subrecipient Monitoring

Grant Number & Year: 203NE706W1003, FFY 2020; H79SP080988, FFY 2020; G1901NECILP, FFY 2019

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

Repeat Finding: 2019-006, 2019-030

Questioned Costs: $151,670 known

CFDA	Grant	Questioned Costs
10.557	203NE706W1003	$ 57,693
93.243	H79SP080988	$ 57,657
93.674	G1901NECILP	$ 36,320

Statistical Sample: No

Summary: Audit finding 2020-011 (Lack of Adequate Subrecipient Monitoring), included in Part II of this report, relates to both the financial statements and Federal awards. The Agency administers various programs, paid with Federal and/or State funds, which involves granting subawards to other entities to carry out the activities of the program. During our testing of reimbursements made to subrecipients, we noted that the Agency lacked adequate procedures to ensure the expenses being reimbursed were reasonable and proper. A similar finding was noted in the previous audit.

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

Management Response: See Finding 2020-011

Finding 2020-037

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

Grant Number & Year: NU90TP921891-01, FFY 2019; NU90TP922039-01, FFY 2020; U3REP190555A-01, FFY 2020

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

Criteria: 45 CFR § 75.352(d) (October 1, 2019) 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, 2019) 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 recorded properly in the accounting system.

45 CFR § 75.403 (October 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.

45 CFR § 75.430(i)(1) (October 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:*
>
> > *(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, 2019) 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, 2019) 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, occurring for only 6 of 31 subrecipients. For the subrecipients that were monitored, the Agency did not adequately follow up on the deficiencies that were noted during monitoring to ensure corrective action was implemented. A similar finding was noted in the prior audit.

Repeat Finding: 2019-032

Questioned Costs: $541,554 known

CFDA	Federal Grant	Amount
93.889	NU90TP921891-01	$ 69,683
93.069	NU90TP921891-01	$ 210,355
93.069	NU90TP922039-01	$ 220,067
93.889	U3REP190555A-01	$ 41,449

Statistical Sample: No

Context: The Agency paid 31 subrecipients and one contractor during the fiscal year ended June 30, 2020. The Agency contracted for agreed-upon procedures of subrecipient expenditures for the 2020 fiscal year; however, the contractor was able to complete procedures for only six subrecipients before being requested to pause work due to the onset of the COVID-19 pandemic, which was directly impacting the subrecipients.

For the six reports the contractor was able to complete, the contractor reviewed and obtained documentation for samples of transactions and other support available for varied quarters reimbursed through the fiscal year ended June 30, 2020. Upon completion of each subrecipient's review, the contractor prepared a report providing the findings to the Agency.

The Agency forwarded only one contractor report to the applicable subrecipient. No other documented communication occurred between the Agency and the subrecipients regarding findings noted, and there was no attempt to recoup questioned costs that were reported by the contractor.

We tested 20 payments (19 subrecipient payments and one contractor), totaling $555,586. Of this sample, two subrecipients had completed agreed-upon procedures reports available for review, and one subrecipient provided detailed support with the reimbursement request. All 19 subrecipient payments tested lacked adequate documentation to support that expenditures were for actual and allowable costs. As a result, we question $541,554 of the $555,586 tested.

During testing, we noted the following (most subrecipients had more than one type of error):

- For four payments tested, the subrecipients provided inadequate documentation to support the amounts charged to the subawards for personnel costs, including salaries and wages, fringe benefits (e.g., pension plan, health and life insurance, etc.), and taxes. One claim did not have support for the pay rates of each employee and for each employee's enrollment in an insurance plan. For the three other payments, support for pay rates was available; however, for two, actual time worked was not provided (budgeted hours were used), as well as lacking support for insurance amounts and, for one, the allocation of hours charged was calculated incorrectly. These errors resulted in $100,348 in questioned costs.

- For 15 aid payments tested, charges for personnel costs were entirely unsupported. The subrecipients were charged for personnel costs based on the budget justification spreadsheet. There was no detailed support on file for these amounts charged, such as timesheets, payroll registers, pay rate and insurance enrollment documentation, etc.; therefore, we question all the personnel costs tested for these payments, totaling $264,075.

- For 14 payments tested, expenditures were charged to the subaward for items such as office supplies, training materials, office space/rent, computer equipment, travel, and contractual services. There was no support for these items, such as receipts, invoices/bills, purchase orders, cancelled checks, bank statements, etc. Questioned costs for non-personnel costs, excluding indirect costs, totaled $139,723.

- For 12 aid payments tested, subrecipients charged indirect costs to the grant. For all 12 payments, because the indirect costs are based on amounts questioned, indirect costs are questioned as well, totaling $37,408.

Total Government Aid Payments (subrecipient aid and contractual aid) for this program for the fiscal year ended June 30, 2020, totaled $4,199,211. Federal payment errors noted were $541,554. The total sample tested was $555,586. The dollar error rate for the sample was 97.47% ($541,554/$555,586). This estimates the potential dollars at risk for the fiscal year to be $4,092,971 (dollar error rate multiplied by the population).

Cause: The Agency's internal controls for subrecipient monitoring were not followed.

Effect: Without adequate subrecipient monitoring procedures, as well as 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 subrecipient monitoring procedures to ensure subrecipient payments are actual and allowable costs in accordance with Federal regulations. We also recommend the Agency follow up on subrecipient deficiencies noted.

> **Management Response:** Partially agree. DHHS suspended its sub recipient monitoring contract during the COVID-19 federally declared emergency. This action was taken as both the DHHS Public Health Emergency Preparedness and Response unit and its sub recipients, including local public health departments, were occupied with pandemic response activities.

<u>Finding 2020-038</u>

Program: CFDA 93.556 – Promoting Safe and Stable Families – Allowability & Subrecipient Monitoring

Grant Number & Year: G1901NEFPSS, FFY 2019

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

Criteria: 45 CFR § 75.303 (October 1, 2019) 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, 2019) 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, 2019) requires costs charged to Federal programs to be reasonable, necessary, and adequately documented.

According to 45 CFR § 75.511(a) (October 1, 2019), "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. A similar finding was noted in the prior audit. The Summary Schedule of Prior Audit Findings lists the status as complete.

Repeat Finding: 2019-034

Questioned Costs: Unknown

Statistical Sample: No

Context: Subrecipient payments for Promoting Safe and Stable Families (PSSF) for the fiscal year 2020 totaled $722,688. We tested one payment to a subrecipient for $73,407 for March 2020 expenses, of which $65,273 was payments passed through to other contractors, and $8,134 was for payroll and other direct and indirect costs. The Agency did not obtain detailed documentation for this payment. The Agency requested documentation for four of the subrecipient's contractors for April through June 2020 expenses, reimbursed by the Agency in State fiscal year 2021. The Agency received Support Service Funding Requests and general ledger listings; however, detailed support such as timesheets, invoices, and receipts were not included. Also, the contracts between the subrecipient and the subcontractors were not included. Therefore, we were unable to determine if the payments were in accordance with contract and grant provisions. The Agency subsequently provided the contract for one of the subcontractors; however, the support provided was only a general ledger listing and was not sufficient to determine the payment was in accordance with the contract and grant provisions.

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

Finding 2020-039

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 (October 1, 2019), "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 § 75.403 (October 1, 2019), allowable costs must be reasonable, necessary, and adequately documented. A good internal control plan requires procedures to ensure overpayments are returned timely to the Federal grant.

Condition: The Agency erroneously made $257,314 in TANF overpayments in March 2019 to 822 families. This was a finding in the prior audit, and the majority has still not been repaid.

Repeat Finding: 2019-036

Questioned Costs: Unknown

Statistical Sample: No

Context: On February 27, 2019, the Agency realized cash assistance payments to families for March were the same amounts from the *prior* month. In many instances, this resulted in overpayments. The Agency made $257,314 in overpayments to 822 families. For overpayments, the Agency sent demand letters to the recipients and subsequently set up accounts receivable. We reviewed 28 payments in detail in the prior audit and noted that 21 were Federal-funded and had overpayments of $6,454.

In the current audit, we reviewed those 21 cases, which were tested and identified as Federal-funded in the prior audit. These 21 had outstanding overpayments of $4,903 at January 2020. As of February 8, 2021, $4,395 still had not been repaid. Fourteen of the 21 had no collections since January 2020.

Cause: The Agency disagrees that overpayments due to Agency errors need to be returned to Federal funds when detected. The Agency does not return overpayments to the Federal grant until they are repaid or recouped from individuals.

Effect: The Federal grant was overcharged due to Agency error, and the Agency has not repaid the Federal grant.

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 Agency is returning overpayments in accordance with the DHHS collection policy. The Federal awarding agency, ACF, has previously stated we should follow our internal policies in regards to overpayments.

APA Response: 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 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.

Finding 2020-040

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

Grant Number & Year: #1801NETANF, FFY 2018

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

Criteria: Per 45 CFR § 265.3(a) (October 1, 2019), 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.

Per 45 CFR § 265.7 (October 1, 2019), the ACF-199 and ACF-209 reports must be complete and accurate.

Condition: We requested the ACF-199 and ACF-209 reports for six cases. Two of six cases tested were not reported properly. A similar finding was noted in the prior audit.

Repeat Finding: 2019-038

Questioned Costs: None

Statistical Sample: No

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

During our testing of six cases, we noted the following errors:

- For one case, the family was in neither the Separate State Plan nor the Solely State Funded Plan, so the Agency should have provided an associated ACF-199 report to the Federal government. However, no report was created or provided.

- For another case, the family was in neither the Separate State Plan nor the Solely State Funded Plan, so the Agency should have provided an associated ACF-199 report to the Federal government. However, no ACF-199 report was created or provided; instead, the Agency provided an ACF-209 report, which is meant for families in the Separate State Plan.

The Agency was unsure why these errors occurred.

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 the ACF-199 and ACF-209 reports are complete and accurate.

Management Response: Agree

Finding 2020-041

Program: CFDA 93.563 – Child Support Enforcement – Allowability & Subrecipient Monitoring

Grant Number & Year: 0G1901NECSES, FFY 2019; 0G2001NECSES, FFY 2020

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

Criteria: Criteria: 45 CFR § 75.303 (October 1, 2019) requires an Agency to ensure compliance with Federal requirements through the use of effective internal controls.

A good internal control plan requires the pass-through entity to establish controls to ensure subrecipients comply with Federal requirements, including procedures for the proper monitoring of subrecipients' fiscal activities.

45 CFR § 75.403 (October 1, 2019) requires costs charged to Federal programs to be reasonable, necessary, and adequately documented.

45 CFR § 75.352(d) (October 1, 2019) 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.

A good internal control plan requires procedures to ensure adequate supporting documentation is being collected prior to payment.

Condition: Monitoring procedures were not adequate to ensure payments to subrecipients were for allowable expenditures. Seven of 27 payments tested did not have adequate supporting documentation for the amounts claimed.

Repeat Finding: No

Questioned Costs: $2,370 known (0G1901NECSES, $203; 0G2001NECSES, $2,167)

Statistical Sample: No

Context: The Agency has subaward agreements with County Clerks and County Attorneys to assist in the administration of the Child Support Enforcement (CSE) program. These subrecipients submit quarterly CSE claims to the Agency requesting reimbursement for various program expenditures, including salaries and benefits, various operating expenses, and indirect costs. The Agency reviews the quarterly claims and invoices or supporting documentation submitted with the claims.

We tested 27 payments to subrecipients and identified the following items:

- One payment had no support for the employer's share of insurance costs of $1,791.
- One payment included an invoice of $352 that was paid on another claim.
- One payment included unreasonable lodging costs of $105.
- One payment lacked support for meals and registration costs of $94.

- Two payments had unreasonable mileage reimbursements, totaling $28.

- One payment did not have supporting documentation for the percentage of time worked in the Clerk's office for two employees.

Federal questioned costs totaled $2,370. The total for payments tested was $694,698, and payments to subrecipients during the fiscal year totaled $9,393,338. The dollar error rate for the sample tested was .34% ($2,370/$694,698), which estimates the potential dollars at risk for fiscal year 2020 to be $31,937 (dollar error rate multiplied by population).

Cause: Inadequate review of documentation remitted.

Effect: Noncompliance with Federal regulations could result in sanctions. Without adequate monitoring procedures, there is an increased risk Federal awards could be used for improper/unallowable costs.

Recommendation: We recommend the Agency strengthen its procedures to monitor subrecipients, including procedures to ensure expenditures are in accordance with Federal requirements, and adequate documentation is maintained.

Management Response: Agree

<u>**Finding 2020-042**</u>

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

Grant Number & Year: #G1901NECCDF, FFY 2019; #G1901NECCDM, FFY 2019; #G2001NECCDF, FFY 2020; #G1901NECCDD, FFY 2019; #G2001NECCDD, FFY 2020; #G2001NECCDM, FFY 2020

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

Criteria: 42 USC 9858K(b) states, "With regard to services provided to students enrolled in grades 1 through 12, no financial assistance provided under this subchapter shall be expended for— (1) any services provided to such students during the regular school day[.]"

45 CFR § 98.67(a) (October 1, 2019) 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 4-003.01A states, "The Department pays by attendance, not enrollment. Payment is not made for time when the child is not receiving care[.]"

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[.]"

Title 392 NAC 4-001 says, "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, "Care for 6 or more hours must be billed by the day. Care for 10 or more hours in one day may be billed through hourly units for the 10th, 11th, and 12th hours . . . ."

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 3-008.01 states, in part, that care is authorized only if each parent or caretaker:

> *1. Is employed;*
>
> *2. Is actively seeking employment. The case manager may authorize child care for Employment First clients as defined in the EF Self-Sufficiency Contract. For nonEF clients, the case manager may authorize child care for two consecutive calendar months per program year July 1 through June 30 to enable the client to seek employment. Following the loss of employment, the client may receive two consecutive calendar months. Each time the client loses employment, s/he is entitled to two months of child care to allow him/her to seek employment;*
>
> *3. Is participating in an EF activity that is included in the EF Self-Sufficiency Contract[.]*

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 that payments are made: 1) in accordance with Federal and State requirements; and 2) for hours attended up to the hours noted on the authorization notice.

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.

Repeat Finding: 2019-040

Questioned Costs: $2,066 known

Grant #	QC
0G1901NECCDF	$ 576
0G1901NECCDM	$ 45
0G2001NECCDF	$ 393
0G1901NECCDD	$ 35
0G2001NECCDD	$ 977
0G2001NECCDM	$ 40

Statistical Sample: No

Context: We tested 40 child care claims and noted 16 with errors. Some payments had more than one type of error.

- One claim tested was for child care authorized while the parent was participating in the Employment First (EF) program. However, the parent participated in zero hours of EF activities for the claim period. The EF service plan was to "continue care for the children, prepare meals, and help out" in support of her husband achieving self-sufficiency as a para legal. The parent was to care for the child; therefore, payment to the child care provider for nine days is not allowable.

- For three claims tested, the attendance calendar parent signatures did not appear proper. For one claim, 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 another claim tested, the attendance sheet provided had no parental signature. Also, for the third claim, the parent's signature was dated almost one year after the service was provided.

- For two claims tested, the Agency was unable to provide the attendance sheets; therefore, the child care billed could not be verified or determined if in compliance with State and Federal requirements.

- For five claims tested, the hours claimed and paid did not mathematically agree to the attendance sheet provided. Two claims were not rounded properly. For three claims, the Provider failed to comply with Provider Agreements and NAC 392, which require care for six or more hours to be billed by the day; care for 10 or more hours in one day may be billed through hourly units.

- For one claim tested, the provider claimed two days of care when school was in session. After we questioned, the Agency verified that the child was at school on those days. For another claim tested, the Provider claimed nine hours of care on a school day, which would not be allowable.

- For three claims tested, child care was billed and paid over the authorized amount. A total of 17.36 hours was paid in excess of the service authorizations.

Federal payment errors noted for the sample tested were $1,379. The total Federal sample tested was $7,449, and total child care Federal assistance claims for the fiscal year were $35,438,875. Based on the sample tested, the case error rate was 40% (16/40). The dollar rate for the sample was 18.51% ($1,379/7,449), which estimates the potential dollar risk for fiscal year 2020 to be $6,559,736 (dollar rate multiplied by the population).

In addition to the $1,379 Federal questioned costs noted on the sample items tested, we also noted $687 of Federal questioned costs on other line items of the claims reviewed, which resulted from questionable signatures, service authorization exceeded, and failure to provide attendance calendars.

Cause: Ineffective review. The Agency does not have automated procedures to ensure attendance records agree to billing documents, service authorizations are not exceeded, and claims are in accordance with regulations.

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 2020-043</u>

Program: CFDA 93.575 and 93.596 – CCDF Cluster – Special Tests and Provisions

Grant Number & Year: Various, including #G2001NECCDF, FFY2020

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

Criteria: Per 45 CFR § 98.41 (October 1, 2019), 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 3-005.03:

> *To determine compliance with licensing regulations, the Department will conduct unannounced inspections:*
>
> > *1. A minimum of once each year of child care centers licensed for 29 or fewer children; and*
> >
> > *2. A minimum of twice each year to child care centers licensed for 30 or more children.*

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 4-005.09B:

> *The Department will make a sanitation inspection referral when: . . . 2. Every two years following the initial sanitation inspection, unless the center is located in a health care facility or school that receives more frequent sanitation inspections[.]*

A good internal control plan requires adequate documentation to be maintained to support compliance with health and safety requirements.

Condition: The Agency did not have adequate procedures in place to ensure health and safety requirements were met for child care providers. A similar finding was noted in the prior audit.

Repeat Finding: 2019-042

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:

One child care center did not have the required semi-annual inspections completed. There was only one inspection performed on May 16, 2019. This inspection was not signed by the Child Care Inspection Specialist who performed the inspection. No inspections were completed during calendar year 2020.

Another child care center required to have semi-annual inspections did not have any inspections completed during calendar year 2019 and only one inspection was completed in calendar year 2020, after the audit period on December 11, 2020.

For one child care center tested, a sanitation inspection has not been performed since July 25, 2016.

Three child care centers tested did not have a fire inspection performed within the last two years:

#	Date of Last Inspection	Months Overdue as of June 30, 2020
1	September 7, 2016	21
2	July 19, 2017	11
3	March 8, 2018	3

For two inspections 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 child care centers located in a school. These procedures should also include regular follow-up with the Fire Marshal or local fire departments to ensure the fire inspections are completed timely.

> **Management Response:** Partially agrees. The agency agrees 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.
>
> The Agency disagrees with the finding, in part, because DHHS has policy and procedure for making timely referrals, as required by regulations. DHHS has had extensive documented communication and follow up with these entities after the policy and procedure change in 2020; however, DHHS has no authority to require these entities to complete the inspections more promptly.
>
> The Agency also disagrees with the finding about fire and sanitation not being performed in a school-age-only childcare 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 indicated that the requirements for DHHS to request the State Fire Marshal (SFM) or its' delegated authority to perform fire and sanitation inspections no longer apply to school age child care programs. DHHS has had extensive documented communication and follow up with these entities after the policy and procedure change in 2020; however, DHHS has no authority to require these entities to complete the inspections more promptly.
>
> To further improve policy and procedures requesting fire and sanitation documentation, the Office of Children's Services Licensing will request a listing of inspections conducted in the schools and hospitals for School Age Only Child Care programs every November.

APA Response: Per 45 CFR § 98.41 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. The Agency is the recipient of the Federal funds and is, therefore, ultimately responsible to ensure that fire and sanitation inspections are performed.

<u>Finding 2020-044</u>

Program: CFDA 93.575 – Child Care and Development Block Grant – Allowability & Subrecipient Monitoring

Grant Number & Year: #G1801NECCDF, FFY 2018

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

Criteria: Per 45 CFR § 75.352(d) (October 1, 2019) all pass-through entities must:

> *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.*

45 CFR § 75.352 provides 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.*
> > >
> > > > * * * *
> > > >
> > > > *(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[.]*

Allowable activities to improve the quality of child care services are detailed in 42 USC 9858e and include activities "designed to improve the quality of child care services and increase parental options for, and access to, high-quality child care, and is in alignment with a Statewide assessment of the State's needs to carry out such services and care . . . ."

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. A similar finding was noted in the prior audit.

Repeat Finding: 2019-043

Questioned Costs: $63,355 known

Statistical Sample: No

Context: During the fiscal year, $6,091,941 was paid to child care subrecipients. The Agency paid $4,392,953 directly to subrecipients and paid $1,698,988 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 $3,884,700 during the fiscal year to one subrecipient, which in turn provided funds to school districts "for activities relating to the quality of care for infants and toddlers." We tested one payment for $1,123,591. The Agency reviewed a sample of expenditures for three of nine contractors. We noted several issues with the expenses sampled, including personnel costs not being adequately supported, some invoices not being on file, and documentation to support incentives being inadequate. Charges to the three contractors for the payment tested totaled $435,709, and we question costs of $63,355 in which documentation was not adequate to support the costs were reasonable, necessary, and allowable for the grant. We also noted 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, or the requirement that auditors have access to records, and it did not identify the dollar amount made available under the Federal award and CFDA at time of disbursement.

Cause: The Agency did not adequately and timely correct prior audit findings.

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: Agree

Finding 2020-045

Program: CFDA 93.575 – Child Care and Development Block Grant – Period of Performance

Grant Number & Year: #G1801NECCDF, FFY 2018

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

Criteria: Per 45 CFR § 98.60(d) (October 1, 2019):

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, 2019):

> *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.*

A good internal control plan requires procedures to ensure compliance with Federal regulations.

Condition: Expenditures were charged to the FFY 2018 grant after the period of performance. A similar finding was noted in the prior audit.

Repeat Finding: 2019-044

Questioned Costs: $980,526 known

Statistical Sample: No

Context: The FFY 2018 grant was required to be obligated by September 30, 2019. We tested one journal entry that transferred $980,526 claims for child care services from the State General Fund to the FFY 2018 Discretionary Fund grant. The claims were paid in February 2020 and, therefore, were not obligated as of September 30, 2019.

Cause: Ineffective control procedures. The Agency has procedures to ensure each transaction has a separate preparer and approver; however, neither the preparer nor approver recognized that the underlying claims were outside the grant's period of performance.

Effect: Noncompliance with Federal regulations.

Recommendation: We recommend the Agency improve procedures to ensure expenditures charged are within the allowed time period.

> **Management Response:** Agree. FAPA will adjust procedures to ensure claims are identified properly in journal entries to make sure federal funding is not at risk. Procedures will updated to include timeliness of claims and reporting period.

<u>Finding 2020-046</u>

Program: CFDA 93.658 – Foster Care Title IV-E – Reporting

Grant Number & Year: #2001NEFOST, FFY 2020; #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.

45 CFR § 75.302 (October 1, 2019) states, in part:

> *(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 . . . .

According to 45 CFR § 75.511(a) (October 1, 2019), "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. A similar finding was noted in the prior audit. The Schedule of Prior Audit Findings says that the finding is complete.

Repeat Finding: 2019-046

Questioned Costs: Unknown

Statistical Sample: No

Context: We tested the FFRs for the quarters ended September 2019 and March 2020 and noted the following:

On the September 2019 report, Part 3 Line 5a, Maintenance Assistance Payments Operations, the expenditures were underreported due to including journal entries related to moving the State share of matching expenditures from the State General Fund to State cash funds.

The March 2020 report, Part 3 Line 26a, Post Demonstration Costs Maintenance Assistance Payments Foster Family Home, underreported expenditures. The total expenditures reported agreed to the accounting system, but the Federal/State split did not agree. After further review, the auditor determined that transactions on one day appeared to be incorrectly charged. Instead of being split between Federal and State funds for Foster Care, the expenditures were split between State match for Foster Care and State funds for Child Welfare.

Quarter Ended Report Line	Per Report		Report Should Be	
	Total Claims	Federal Share	Total Claims	Federal Share
9/30/19 Line 5a	$ 761,367	$ 400,327	$ 1,150,340	$ 604,861
3/31/20 Line 26a	$ 576,557	$ 351,239	$ 676,034	$ 411,840

Cause: Inadequate review

Effect: Increased risk for errors and noncompliance with Federal requirements.

Recommendation: We recommend the Agency implement procedures to ensure Federal reports are accurate and reconcile to the accounting system.

Management Response: Agree

Finding 2020-047

Program: CFDA 93.658 – Foster Care Title IV-E – Allowability

Grant Number & Year: #1901NEFOST, FFY 2019

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

Criteria: Per 45 CFR § 75.403 (October 1, 2019), 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 is to be submitted for payment on a Travel Log. Per the Parenting Time/Supervised Visitation Service Attachment, effective July 1, 2018, "Established Rate":

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 . . . .*

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.

According to 45 CFR § 75.511(a) (October 1, 2019), "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: Three of 15 waiver expenditures tested were not adequately documented or were not reasonable. A similar finding was noted in the prior audit. The Summary Schedule of Prior Audit Findings lists the status as complete.

Repeat Finding: 2019-047

Questioned Costs: $227 known

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 $1,277,851 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 15 claims and noted the following:

- For one claim tested, the travel time was not in accordance with the contract, as the worker made three stops on the way to the visitation location to pick up the child and parent, and rounded the travel time for each stop separately. These three stops only constitute a single one-way trip.

- For another claim tested, the travel time was not in accordance with the contract, as one-way trips were not rounded properly. In addition, the travel time and mileage was not reasonable, as the worker claimed travel from/to their home in Silver Creek, Nebraska, which was approximately 24 miles from the contractor's office in Columbus, Nebraska.

- For the third claim, the travel time and mileage was not reasonable, as the worker claimed travel from/to their home, which was approximately 47 miles from the contractor's office. The worker's home was in Grand Island, Nebraska, while the visitations and the contractor's office were in Kearney, Nebraska.

Federal questioned costs for the sample tested totaled $158. The Federal sample tested totaled $2,537. Total Federal population was $1,277,851. Based on the sample tested, the case error rate was 20% (3/15).

The dollar error rate for the sample tested was 6.23%, which estimates the potential dollars at risk for fiscal year 2020 to be $79,610 (dollar error rate multiplied by population). In additional to the $158 Federal questioned costs noted on the sample items tested, we also noted $69 of Federal questioned costs on other line items of the claims reviewed.

Cause: Inadequate review. The Agency allows the practice of workers travelling to/from their home.

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:** Partially Agrees. Regarding the rounding up of one-way trips, the agency agrees that these claims were not in accordance with the contract language. This language was new to this contract and has been removed from successive contracts.
>
> Regarding Family Support Workers traveling from their home, there are many workers across the state who work from a home office rather than the business office. The agency believes it is unreasonable to require the worker to travel to an office location prior to a visit when the worker has no reason for going there. It creates an unreasonable amount of extra travel and waste of time for those workers to make these unnecessary trips.

<u>**Finding 2020-048**</u>

Program: CFDA 93.658 – Foster Care Title IV-E – Allowability & Matching

Grant Number & Year: #1801NEFOST, FFY 2018

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

Criteria: 45 CFR § 75.302(a) (October 1, 2019) states:

> *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 45 CFR § 75.403 costs must be necessary, reasonable, and adequately documented.

45 CFR § 75.306(b)(1) requires matching funds to be verifiable from the entity's records.

Per 45 CFR § 1356.60(c) (October 1, 2019), "Federal financial participation is available at the rate of fifty percent (50%) for administrative expenditures necessary for the proper and efficient administration of the title IV-E plan."

Good internal control requires procedures to ensure transactions are adequately supported and charged at the proper Federal Medical Assistance Percentage (FMAP).

Condition: One of two journal entries tested was not adequately supported.

Repeat Finding: No

Questioned Costs: $564,081 known

Statistical Sample: No

Context: We tested a journal entry that moved $564,081 in Foster Care administration charges from State funds to the FFY 2018 Federal grant. The Agency did not identify specific underlying transactions transferred; instead, the Agency included detail for all Federal and State charges to the grant. Per review of the detail, there were insufficient underlying transactions from State funds. Over $8 million in Federal administration charges were detailed, but only $337,346 of State funds prior to the journal entry. Consequently, there was not adequate documentation to support that costs transferred to Federal funds were allowable or that administrative expenses were matched properly.

Cause: Inadequate procedures and review.

Effect: Increased risk for errors and loss of funds.

Recommendation: We recommend the Agency improve procedures to ensure transactions are adequately supported and charged at the proper matching rate.

Management Response: Agree

Finding 2020-049

Program: CFDA 93.659 – Adoption Assistance – Allowability & Matching

Grant Number & Year: #1601NEADPT, FFY 2016

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

Criteria: 45 CFR § 75.302(a) (October 1, 2019) states:

> *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 45 CFR § 75.403 costs must be necessary, reasonable, and adequately documented.

45 CFR § 75.306(b)(1) requires matching funds to be verifiable from the entity's records.

Per 45 CFR § 1356.60 (October 1, 2019) Federal financial participation for adoption assistance payments are "available at the rate of the Federal medical assistance percentage as defined in section 1905(b), 474(a)(1) and (2) and 479B(d) of the Act as applicable, definitions, and pertinent regulations as promulgated by the Secretary, or his designee." The Federal medical assistance percentage (FMAP) for FFY 2016 grants was 51.16%.

Good internal control requires procedures to ensure transactions are adequately supported and charged at the proper FMAP.

Condition: One journal entry tested was not adequately supported or charged at the proper FMAP.

Repeat Finding: No

Questioned Costs: $280,429 known

Statistical Sample: No

Context: We tested a journal entry that moved $472,096 Adoption Assistance aid payments from State funds to the FFY 2016 Federal grant. The Agency did not identify specific underlying transactions transferred; instead, the Agency included detail for all Federal and State charges to the grant. We reviewed the detail, and after adjustment for two entries related to prior audit findings, we noted total aid of $27,819,587. At the FMAP of 51.16% for FFY 2016, the allowable Federal share would be $14,232,501; however, the Agency charged $14,512,930. The variance of $280,429 is considered questioned costs.

Cause: Inadequate procedures and review.

Effect: Increased risk for errors and loss of funds.

Recommendation: We recommend the Agency improve procedures to ensure transactions are adequately supported and charged at the proper matching rate.

Management Response: Agree

Finding 2020-050

Program: CFDA 93.659 – Adoption Assistance – Allowability

Grant Number & Year: #1901NEADPT, FFY 2019

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

Criteria: 45 CFR § 75.2 (October 1, 2019) states:

> *Improper payment: (1) Means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; . . .*

Per 45 CFR § 75.403 costs must be necessary, reasonable, and adequately documented.

Good internal control requires procedures to timely correct improper payments.

Condition: The Federal share of an adoption assistance overpayment was not returned to the Federal grant.

Repeat Finding: No

Questioned Costs: Unknown

Statistical Sample: No

Context: In September 2019, the Agency erroneously paid a claim for $127,260 with a daily rate of $9,090 for 14 days. The rate should have been $9.90 per day. The Agency discovered the error in January 2020 and established an overpayment for $127,121. However, the Agency did not perform a journal entry to credit the grant for the Federal share ($66,840) of the overpayment. The Agency is withholding 50% of all payments to the payee until the balance is repaid, and at December 15, 2020, a total of $2,723 was recouped. At the present rate, it will take over 35 years to recoup the overpayment. After the auditors brought this issue to the Agency, the Agency performed a journal entry on January 28, 2021, to credit the grant for the Federal share of the overpayment.

Cause: Clerical error. The system utilized to process assistance payments has edit checks for rate limits, but it was not set up for the adoption subsidy service code.

Effect: Increased risk for errors and loss of funds.

Recommendation: We recommend the Agency improve procedures to ensure assistance payments are allowable and accurate. We further recommend the Agency credit the Federal grant for overpayments on a timely basis.

> **Management Response:** Agree. NFOCUS has the capability to set limits on the rates entered. This was not being utilized at the time for this service. As soon as the error was discovered, a maximum limit was applied. In addition, a Service Authorization Monitoring report is run weekly which lists any authorizations created that exceed a certain threshold. However, the report was not picking up renewed/edited authorizations at the time. When this error was discovered, the report was modified to correct this.

<u>Finding 2020-051</u>

Program: CFDA 93.659 – Adoption Assistance – Eligibility

Grant Number & Year: #0G2001NEADPT, FFY 2020

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

Criteria: 42 USC 671(a)(20)(A) requires the State have a plan that "provides procedures for criminal records checks, including fingerprint-based checks of national crime information databases (as defined in section 534(f)(3)(A) of title 28), for any prospective foster or adoptive parent before the foster or adoptive parent may be finally approved for placement of a child . . . ."

42 USC 671(a)(20)(B)(i) states the following:

> *[C]heck any child abuse and neglect registry maintained by the State for information on any prospective foster or adoptive parent and on any other adult living in the home of such a prospective parent, and request any other State in which any such prospective parent or other adult has resided in the preceding 5 years, to enable the State to check any child abuse and neglect registry maintained by such other State for such information, before the prospective foster or adoptive parent may be finally approved for placement of a child, regardless of whether foster care maintenance payments or adoption assistance payments are to be made on behalf of the child under the State plan under this part[.]*

Good internal control requires procedures to ensure documentation is maintained to support compliance with Federal regulations.

Condition: The Agency did not have adequate documentation on file to support required background and registry checks were completed.

Repeat Finding: No

Questioned Costs: Unknown

Statistical Sample: No

Context: For 4 of 30 adoption subsidies tested, there was not adequate support on file showing that the prospective adoptive parents satisfactorily met a criminal records check, including a fingerprint-based check. Therefore, the auditor was unable to verify that the adoptive parents had not committed any prohibited felonies. For three of these four, there also was not adequate support on file showing that the adoptive parents satisfactorily met a child abuse and neglect registry check. The adoptions in these cases occurred from 2007 to 2013.

The Federal share of aid payments for the fiscal year ended June 30, 2020, totaled $22,157,164, on behalf of 5,135 children.

Cause: Per Agency staff, these files were shredded due to the age of the file and the policy at the time, but the policy has since been changed.

Effect: Without adequate support, there is an increased risk of noncompliance with Federal regulations and risk of improper payments.

Recommendation: We recommend the Agency maintain adequate documentation showing background and registry checks were performed as required.

> **Management Response:** Agree. Prior to 2013, the agency was following State Patrol and FBI requirements that the documentation be shredded. Only after considerable discussions with State Patrol was the agency permitted to keep the records. Everything from 2014 onward has been has been kept on file.

Finding 2020-052

Program: CFDA 93.667 – Social Services Block Grant – Allowability

Grant Number & Year: #G1901NESOSR, FFY 2019

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

Criteria: 45 CFR § 96.30(a) (October 1, 2019) 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."

Per 473 NAC Appendix 473-000-201, "Nebraska Social Services for Aged and Disabled Fee Schedule," the rate for Home-Delivered Meals is $5.89 per meal.

Per 473 NAC Appendix 473-000-501, "Nebraska Social Services for Aged and Disabled Fee Schedule for Non-Emergency Transportation Services," the base rate for transportation by a commercial wheelchair accessible van is $38.

Per 473 NAC 5-002.06B, regarding Adult Day Care Frequency, states, “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.

Condition: Social Services Block Grant (SSBG) assistance payments tested did not comply with State and Federal regulations. A similar finding was noted in the prior audit.

Repeat Finding: 2019-049

Questioned Costs: $7 known

Statistical Sample: No

Context: We tested five claims for SSBG services and noted three with errors. The claims were paid 90% with State funds and 10% with Federal SSBG funds. We noted the following:

- For one claim tested, the rate of transportation provided exceeded the allowable rate per regulations.
- For one claim tested, the rate of Home-Delivered Meals 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 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 $79, and Federal errors for payments tested were $7. Total SSBG Federal assistance payments for fiscal year 2020 were $1,195,960.

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. The issues noted in the finding came from confusion within the RD staff on AD Waiver vs SSAD Policy.

<u>Finding 2020-053</u>

Program: CFDA 93.778 – Medical Assistance Program; 93.778 – COVID-19 Medical Assistance Program – Allowability

Grant Number & Year: #2005NE5MAP, FFY 2020

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

Criteria: Per 45 CFR § 75.403 (October 1, 2019), 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.

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.

Repeat Finding: 2019-051

Questioned Costs: $118 known ($106 + $12 COVID-19)

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 that the services were provided and the times of services.

We noted issues with four of five PAS claims tested, as follows:

- 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 six and three fourths hours from 8:00 am to 11:15 am and from 4:30 pm to 8:00 pm, claiming 27 units for the day, as follows:

Authorized per Week per SNA			Provided per Timesheet	
Frequency	Minutes	Task	Frequency	Calculated Minutes
14	10	Assist with Ted Hose	2	20
7	25	Bath/Shower	1	25
14	10	Dressing	2	20
7	5	Hair Grooming	1	5
4	10	Shampoo	1	10
21	5	Assist with Administration of Medications	3	15

Authorized per Week per SNA			Provided per Timesheet	
Frequency	**Minutes**	**Task**	**Frequency**	**Calculated Minutes**
21	5	Transfer - Moderate Assistance	3	15
7	10	Walking - Moderate Assistance	1	10
14	5	Needs Assistance with Eating/Cutting Meat	2	10
21	10	Needs Meals Prepared	3	60
4	15	Clean Kitchen	1	15
3	10	Make Bed And/Or Change Linens	1	10
7	5	Remove Trash	1	5
7	10	Wash Dishes	1	10
7	10	Cleansing on Toilet	1	10
14	10	Establish/Maintain Brief/Diaper/Bedpan Routine	2	20
Total Calculated Minutes (Frequency Times Authorized Minutes)				**260**

In this example, 260 minutes or 18 units would be allotted for the tasks listed on the timesheet; however, the provider billed 27 units. Three of five claims tested had days for which the tasks listed on the timesheet did not agree to the units claimed.

	# of Days in Week That Did Not Agree	Units per Timesheet	Units Billed
1	4	76	88
2	2	36	44
3	7	137	156

- Services detailed on the "Service Provider Time Sheet" agreed to the SNA, but the timing when the services were provided did not appear reasonable. One provider worked from 8:00 am to 10:00 am and 8:00 pm to 10:00 pm on seven days. The provider claimed assistance with reminding the client to eat three times each day, which does not appear reasonable for the hours worked.

- One provider who billed 38.75 hours of PAS services for one week also billed 50 hours for chore services for another client during the same week. This provider received $142 for overtime during this week, and due to the provider billing for hours that did not agree to the units claimed, there are three hours that should not have been paid at the overtime rate. Additionally, it does not appear reasonable for the Agency to authorize almost 90 hours of services to be provided by one provider in one week. The following was the typical daily schedule for the provider for the week tested.

Client Type	Time Service Provided
Chore	12:30 am - 1:30 am
Chore	5:30 am - 9:30 am
PAS	9:45 am - 2:15 pm
Chore	7:15 pm - 9:15 pm
PAS	9:30 pm - 10:30 pm

Federal payment errors in the sample totaled $118. The total Federal payments tested was $1,152, and the total Federal share of PAS claims for the fiscal year was $8,161,684.

Cause: Procedures not adequate to prevent and/or detect errors.

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 a 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. The identified issues are the need for continued provider training and client/internal worker education on how to correctly complete a Service Needs Assessment for PAS, how that affects the billing, and audit checks of provider billing to ensure their billings match their Service Needs Assessment.
>
> Electronic Visit Verification was granted permission by CMS for a January 2021 implementation and was not in place to assist with issues identified in this survey.

Finding 2020-054

Program: CFDA 93.778 – Medical Assistance Program; 93.778 – COVID-19 Medical Assistance Program – Allowability and Eligibility

Grant Number & Year: #1905NE5MAP, FFY 2019; #2005NE5MAP, FFY 2020

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

Criteria: Per 45 CFR § 75.303 (October 1, 2019):

> *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 Medicaid Eligibility 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 23-001.05B5a, "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[.]"

477 NAC 26-004.05(A) states in part, "A portion of the income of the institutionalized spouse can be allocated to the community spouse when necessary to maintain the living standard of the community spouse," and "The allocation is subject to a minimum and maximum amount which is adjusted annually . . . The income of the community spouse is compared to a sum of the following factors: (i) The minimum maintenance allowance; (ii) Excess shelter costs, as defined; and (iii) A standard utility amount."

471 NAC 12-007 states the following, in relevant part:

> *When an individual requests admission to or continuous residence in a Medicaid-certified nursing facility (NF), the facility must implement the preadmission screening and resident review (PASRR) as defined in this chapter. An individual who has an indication or diagnosis of serious mental illness, intellectual disability or a related condition, or a dual diagnosis may be admitted to a nursing facility (NF) or continue to reside in a nursing facility (NF) only when the individual is determined to be appropriate for nursing facility (NF) services through the preadmission screening and resident review (PASRR).*

471 NAC 12-006.02(D)(i) states the following:

> *If the level of care (LOC) evaluator determines that the applicant meets nursing facility level of care (NF LOC) criteria and the client chooses to receive nursing facility (NF) services, the level of care (LOC) evaluator makes appropriate notifications.*

Title 45 CFR § 75.511(a) (October 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 procedures to ensure income, resources, and living arrangements are updated for changes timely, 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. Additionally, one nursing facility payment tested was paid at a level of care that did not agree to the admission assessment. The Summary Schedule of Prior Audit Findings states the corrective action is complete.

Repeat Finding: 2019-053

Questioned Costs: $1,056 known ($635 #1905NE5MAP; $383 #2005NE5MAP; $38 COVID-19)

Statistical Sample: No

Context: We tested 25 nursing facility payments and noted the following issues:

- For one recipient, the Agency paid a Nursing Facility on two different claims for the same day of care provided on October 14, 2019. Therefore, one day paid on the second claim is considered questioned costs, with a Federal share $45.

- One recipient owned a second property, which was not included as a resource. The 2019 assessed value of the property was $37,325, and the recipient reported a loan against the property. However, no documentation was obtained by the Agency to determine the value of the loan. If the property value had been included as a resource, the recipient would have been over the resource limit and ineligible for Medicaid. Therefore, the entire claim is considered questioned costs, with a Federal share of $376.

- Three recipients had title to vehicles that were not currently registered, and one recipient had title to a vehicle that was currently registered; however, none of these vehicles were included as resources. The Agency failed to inquire with the recipients to determine if the vehicles were still in their possession.

- For one recipient, the calculated community spouse maintenance allowance included a mortgage payment, real estate taxes, and homeowner's insurance expense, which were last verified by the Agency in 2008 and 2014. The annual review of eligibility for the recipient completed in April 2019 and April 2020 by the Agency should have included a verification of the current amount of maintenance expenses paid by the recipient and the spouse of the recipient.

- One recipient level of care did not agree to the admission assessment. Nursing facilities receive reimbursement for services at the established level of care rate. A level of care resource classification known as Resource Utilization Groups (RUG) determines the daily payment rate. The RUG reflects a patient's severity of illness and services required based on an admission assessment. We noted that the level of care listed on a claim for June 2019 nursing facility services was 180 but should have been 101, based on the admission assessment. This resulted in an overpayment of $1,207, with a Federal share of $635.

Federal payment errors noted were $1,056. The total Federal sample tested was $52,218, and the total Federal nursing facility expenditures during the fiscal year were $221,611,077. Based on the sample tested, the case error rate was 32% (8/25). The dollar error rate was 2.02% ($1,056/$52,218), which projects the potential dollars at risk for fiscal year 2020 to be $4,476,544 (dollar error rate multiplied by population).

Cause: Worker error and inadequate review. Additionally, the Agency relies on the provider to submit a claim adjustment if the level of care paid does not agree to the established level of care from the admission assessment.

Effect: If income and resources are not adequately verified, there is an increased risk recipients will be determined eligible for Medicaid inappropriately or determined eligible with an incorrect share of cost. Further, if the Agency does not pay for nursing facility services based on the level of care from the admission assessment, there is an increased risk that incorrect amounts will be paid for Medicaid claims, resulting in a loss of funds.

Recommendation: We recommend the Agency implement procedures to ensure income and resources are adequately documented and verified. We also recommend the Agency implement procedures to ensure claims are paid at the correct level of care.

> **Management Response:** Agree. The department will continue to review policies and procedures and work to ensure field operations staff are properly trained. Additional guides and tip sheets will be made available as needed.

<u>Finding 2020-055</u>

Program: CFDA 93.778 – Medical Assistance Program – Special Tests and Provisions

Grant Number & Year: All open, including #2005NE5MAP, FFY 2020

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

Criteria: Title 42 CFR § 447.253(b)(1)(i), (October 1, 2019) 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, 2019), "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, 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 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 that the Agency did not perform field audits on any long-term care facilities. A similar finding was noted in prior audits. The Summary Schedule of Prior Audit Findings lists the status as complete.

Repeat Finding: 2019-054

Questioned Costs: Unknown

Statistical Sample: No

Context: The Agency performs risk assessments of the facilities each year and identifies which facilities are high-risk. During fiscal year 2020, no facilities were identified as high-risk and no field audits were performed for any facilities identified as high-risk in prior years.

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; however, the 21 facilities were no longer determined to be high-risk for the period ended June 30, 2019.

The Agency has since issued a Request for Proposal for Contractual Services on July 10, 2020, seeking to find a qualified bidder to provide Medicaid reimbursement services, including performing field and desk audits for long-term care facilities. However, no contract has not been awarded as of September 17, 2020.

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:** Partially Agrees. The department agrees that field audits for the years in the report were not yet completed. However, the department disagrees with the finding on the basis that the years in question are still within the timeframe allowed in state statute to complete the field audits identified as "high risk" through the course of the annual desk audit reviews.

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 of errors or abuse occurring.

Finding 2020-056

Program: CFDA 93.778 – Medical Assistance Program; 93.778 – COVID-19 Medical Assistance Program – Allowability

Grant Number & Year: #2005NE5MAP, FFY 2020

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

Criteria: Title 45 CFR § 75.403 (October 1, 2019) requires costs to be necessary, reasonable, and adequately documented.

Title 45 CFR § 75.302 (October 1, 2019) 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 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 it.

Per 45 CFR § 75.303 (October 1, 2019), an Agency must establish and maintain effective internal control to ensure compliance with Federal requirements.

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.

Repeat Finding: 2019-055

Questioned Costs: $64,021 known ($57,505 and $6,516 COVID-19)

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. Depreciation amounts used in the rate calculation totaled $232,675, but only $127,585 was supported by EnterpriseOne, leaving $105,090 unsupported. The Federal share of $64,021 was unsupported and is questioned costs.

Cause: Agency failed to correct finding noted since 2017.

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 2020-057

Program: CFDA 93.778 – Medical Assistance Program – Special Tests and Provisions

Grant Number & Year: All open, including #2005NE5MAP, FFY 2020

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

Criteria: Per Title 42 CFR § 455.104(b) (October 1, 2019), 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).

42 CFR § 455.101(c) (October 1, 2019) defines a person "with an ownership or control interest" as, in part, a person or corporation that:

(a) Has an ownership interest totaling 5 percent or more in a disclosing entity;

(b) Has an indirect ownership interest equal to 5 percent or more in a disclosing entity;

Additionally, under 42 CFR § 455.101 a person "with an ownership or control interest" includes "an officer or director of a disclosing entity that is organized as a corporation," and a "managing employee" includes "a general manager, business manager, administrator, director, or other individual who exercises operational or managerial control over, or who directly or indirectly conducts the day-to-day operation of an institution, organization, or agency[.]"

Per 42 CFR § 455.436 (October 1, 2019), 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, 2019), the State Medicaid Agency must also:

(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.

45 CFR § 75.303(a) (October 1, 2019) 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."

Good internal control requires procedures to ensure all required disclosures are provided.

Condition: Medicaid providers were not screened properly or disclosures were not obtained for managing employees or persons with ownership or controlling interest. A similar finding was noted in the prior audit.

Repeat Finding: 2019-059

Questioned Costs: Unknown

Statistical Sample: No

Context: We tested screening and enrollment for 25 Medicaid providers (16 Long-Term Care facilities, 7 Hospitals, and 2 Intermediate Care Facility for Intellectually Disabled). We noted the following:

- Nine providers tested did not have adequate ownership screening or disclosures. The providers failed to disclose any managing employees or persons with ownership or controlling interest during the enrollment or revalidation process; 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. Further, each of the providers submitted documentation, including lists of officers, directors, and other managing employees, when they submitted applications for their annual license in 2020. This documentation was available on the Agency's website; however, the Agency did not review the documentation to ensure proper disclosures were made by the providers.

- Two providers tested did not have license verification performed. One provider was revalidated in June 2019, and the other provider was a new provider who registered in September 2017. The State Medicaid agency must revalidate the enrollment of all providers regardless of provider type at least every five years in accordance with 42 CFR § 455.414.

Cause: The Agency relies on the provider's disclosure to be complete, true, and accurate. During the fiscal year, the Agency made changes to the online provider enrollment portal to ensure proper disclosures from providers are made going forward; however, these changes had no effect on providers who did not go through the revalidation process or were not newly enrolled in the program during the fiscal year.

The Agency also relies on the provider enrollment system to notify them of the steps required to be performed for provider enrollment; however, for license verifications, the step is not in the system and the Agency has to perform manual procedures to ensure the provider is licensed and that the license has not expired or has no current limitations. This manual process was overlooked by the Agency.

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 Department disagrees with the first bullet regarding Medicaid providers not being properly screened or disclosures not obtained for managing employees or persons with ownership or controlling interest. The Department follows State and Federal law involving mandatory disclosures but verification of disclosures is not required. Further, no viable primary source verification exists to validate complete and accurate disclosures.

The Department partially agrees with the second bullet regarding the missed licensed screening and has since taken steps within the provider screening and enrollment system to prevent the missed manual license screening from reoccurring. Interventions with providers practicing without licenses are handled retrospectively. Steps are being taken to verify that providers are licensed appropriately.

APA Response: 45 CFR § 75.303 requires the Agency to "[e]stablish 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 2020-058

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: 45 CFR § 75.303 (October 1, 2019) 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."

Title 45 CFR § 75.302 requires each state to expend and account for Federal awards in accordance with state laws and procedures.

403 NAC 5-004.12(A) states, in part, the following:

> *The following limitations apply to In-Home Residential Habilitation:*
>
> * * * *
>
> *(iii) This service cannot be provided in conjunction with Habilitative Community Inclusion . . . .*

The § 1915(c) Home and Community-Based Services Waiver, effective June 1, 2018, through September 30, 2019, states, in part, the following:

> *In-Home Residential Habilitation service is individually-tailored supports for a waiver participant that assists with the acquisition, retention, or improvement in skills related to living in the community . . . . This service cannot be provided in conjunction with Habilitative Community Inclusion and Adult Companion service.*

Good internal control requires procedures to ensure costs are in accordance with State and Federal requirements.

Condition: We tested 25 claims paid from the Comprehensive Developmental Disability Waiver and noted that one payment did not comply with State and Federal requirements.

Repeat Finding: No

Questioned Costs: $178 known

Statistical Sample: No

Context: For one claim tested, the individual received 9.25 hours of In-Home Residential Habilitation in July 2019; however, the Federally approved waiver noted that In-Home Residential Habilitation services could not be provided in conjunction with Habilitative Community Inclusion services. The individual also received 2.25 hours of Habilitative Community Inclusion during July 2019. Although no overlapping hours were billed, this was not in accordance with the waiver and, therefore, we question the 9.25 hours with $178 Federal share of questioned costs.

In-Home Residential services were removed from the waiver approved effective October 1, 2019, and replaced with Independent Living and Supported Family Living Services.

Federal payment errors for the sample tested were $178. The total Federal sample tested was $27,889, and total CDD payments for the fiscal year was $185,207,977. The dollar error rate for the sample was 0.64% ($178/$27,889), which estimates potential dollars at risk for fiscal year 2020 to be $1,185,331 (dollar error rate multiplied by population).

Cause: The former Division Director was allowing Habilitative Community Inclusion and In-Home Residential services for the same individual.

Effect: Increased risk for unallowable charges and noncompliance with regulations.

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

Management Response: Does not agree. DHHS does not agree with the finding. DHHS observes that the phrase 'in conjunction with' is an idiomatic expression with 'in combination with' or 'together with' as common definitions. The restriction in 403 NAC 5-004.12(A) and the federally approved waiver concerns the concurrent provision of the In-Home Residential Habilitation service with the Habilitative Community Inclusion service, not the concurrent authorization of the services.

APA Response: The funds at issue were approved and received during the same month; therefore, it is difficult to countenance the claim that they were not "provided in conjunction with" – or, as noted in the agency's response, "in combination with" or "together with" – each other in violation of Federal regulations and their derivative State counterparts. Because this comment addresses the provision of Federal funds pursuant to a waiver approved under Federal law, the APA must continue to report the present concern unless authoritative Federal guidance directs otherwise.

Finding 2020-059

Program: 93.898 – Cancer Prevention & Control Programs for State, Territorial & Tribal Organizations – Allowability & Subrecipient Monitoring

Grant Number & Year: 17NU58DP006278, FFY 2020

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

Criteria: 45 CFR § 75.303(a) (October 1, 2019) 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 states:

> *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) states, in part:

> *[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 . . . .*

Condition: Subrecipient transactions were paid as fixed amount subawards but did not have adequate documentation that the award was based on a reasonable estimate of actual costs. A similar finding was noted in the prior audit.

Repeat Finding: 2019-061

Questioned Costs: $30,000 known

Statistical Sample: No

Context: We tested one payment of $30,000 for "Milestone Clinic Assessment," which agreed to the fixed amount subaward. After we requested support, the Agency obtained from the subrecipient a listing of salaries and benefits by individual and overhead and printing. Expenses listed totaled $29,924. However, there was no support on file to verify the salaries, benefits, or that the time spent was accurate or actual costs. Additionally, there was no support to verify the overhead and printing costs were related to the assessments or were the actual costs. Documentation was not adequate to support the fixed amount paid was a reasonable basis of actual cost.

Subrecipient payments for the fiscal year totaled $906,104.

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 costs.

> **Management Response:** Does Not Agree. The Centers of Disease Control and Prevention has approved the Fixed Cost Subaward agreement with Partnership for a Healthy Lincoln. The funder has reviewed the cost reimbursement for each deliverable, the required documentation for reimbursement of the deliverable, and has approved all activities and budget as submitted. Activities performed under the scope of this contract are required activities under the federal awards they support. CDC has ability to review costs across all 67 national programs and has approved Nebraska's cost as being reasonable.

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.

DEPARTMENT OF LABOR

Finding 2020-060

Program: CFDA 17.225 – Unemployment Insurance (UI) – Federal; CFDA 17.225 – COVID19 – Unemployment Insurance – Federal; CFDA 17.225 – Unemployment Insurance – State – Allowability & Eligibility

Grant Number & Year: FFY 2019 and FFY 2020

Federal Grantor Agency: U.S. Department of Labor

Repeat Finding: No

Questioned Costs: $462,992 known (UI – Federal, $3,408; COVID19 – UI – PEUC Federal, $1,946; COVID19 – UI – FPUC Federal, $299,009; COVID19 – UI – PUA Federal, $34,335; UI – State, $124,294)

Statistical Sample: No

Summary: Audit finding 2020-019 (Inadequate Controls, Improper Payments and Possible Fraudulent Claims), included in Part II of this report, relates to both the financial statements and Federal awards.

The APA sent confirmation requests to claimants and employers, performed a random sample of benefit payments, and matched benefits to State employees. Our procedures revealed the following:

- Failure to perform key control procedures
- Potential fraudulent claims based on confirmation responses
- Ineligible payments to inmates
- Payments to individuals with excessive wages

The APA randomly selected 60 claimant benefit payments (8 from July 1, 2019, through March 31, 2020, and 52 from April 1, 2020, through June 30, 2020). The random sample consisted of 50 regular UI payments and 10 PUA payments. We reviewed the claims to ensure that adequate supporting documentation was on file, and controls were in place, to determine whether eligibility was proper.

The total sample tested was $59,463, and questioned costs for payments tested were $39,229. Total payments to those claimants were $330,553 for fiscal year 2020, and additional payments of $153,136 from July 1, 2020, to October 22, 2020. Total benefit payments for the fiscal year ended June 30, 2020, were $811,758,290. Based on the sample tested, the dollar error rate for the sample was 65.97% ($39,229/$59,463), which estimates the potential dollars at risk for fiscal year 2020 to be $535,534,130 (dollar error rate multiplied by population).

We noted additional questioned costs during testing, totaling $423,763, for fiscal year 2020.

Recommendation: We recommend the Agency implement procedures to prevent fraudulent or improper UC benefit claims from being paid. Those same procedures should also ensure compliance with State and Federal requirements, ensuring the following: 1) recipients of benefits are eligible for those payments; 2) weekly benefit amounts are calculated correctly; 3) individuals do not receive payments from more than one program during the same week; 4) claims are reviewed by staff when necessary; 5) benefit overpayments are recouped; 6) each claimant's last separation from employment is adjudicated; and 7) approved STC plans are followed. Lastly, we recommend the Agency reactivate the quarterly cross-match procedures required by Federal regulation, as well as consider reviewing those past quarters when the process had been discontinued for possible overpayment and recoupment of ineligible benefits.

Management Response: NDOL disagrees with finding 2020-019

Finding 2020-061

Program: CFDA 17.225 – Unemployment Insurance – Federal; CFDA 17.225 – Unemployment Insurance – State – Special Tests and Provisions

Grant Number & Year: FFY 2019 and FFY 2020

Federal Grantor Agency: U.S. Department of Labor

Criteria: States annually compute an "experience rate" for contributing, or tax-remitting, employers. The employer's "experience" with the unemployment of former employees is the dominant factor in the computation of the employer's annual State UI tax rate. The computation of the employer's annual tax rate is based on State UI law (26 USC 3303).

Per 2 CFR § 200.302(a) (January 1, 2020), "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."

Neb. Rev. Stat. § 48-652(3)(a) (2020 Cum. Supp.) provides the following:

Each experience account shall be charged only for benefits based upon wages paid by such employer. No benefits shall be charged to the experience account of any employer if:

(i) Such benefits were paid on the basis of a period of employment from which the claimant (A) left work voluntarily without good cause, (B) left work voluntarily due to a nonwork-connected illness or injury, (C) left work voluntarily with good cause to escape abuse as defined in section 42-903 between household members as provided in subdivision (1) of section 48-628.13, (D) left work from which he or she was discharged for misconduct connected with his or her work, (E) left work voluntarily and is entitled to unemployment benefits without disqualification in accordance with subdivision (3) or (5) of section 48-628.13, or (F) was involuntarily separated from employment and such benefits were paid pursuant to section 48-628.17; and

(ii) The employer has filed timely notice of the facts on which such exemption is claimed in accordance with rules and regulations adopted and promulgated by the commissioner.

The State maintains accounts on State UI taxes received or due from individual employers and the UI benefits charged to the employer. Good internal controls require procedures to ensure that employers are properly charged in accordance with State statute.

Condition: During testing of employers' accounts, we noted that 4 of 25 employers tested were not properly charged unemployment taxes.

Repeat Finding: No

Questioned Costs: None

Statistical Sample: No

Context: The Agency used the Benefit Payment System (BPS) to process payments to claimants from July 1, 2019, to September 30, 2019. Then the Agency switched to the Geographic Solutions Unemployment System (GUS) starting on October 1, 2019, to process payments to claimants. In both BPS and GUS, the Agency would determine if the employer should be charged or non-charged. Any charges to employers would then be recorded in the Tax Management System (TMS), which is the system used to track the employers' accounts.

See the table below for the issues noted.

#	Amount Over/ (Undercharged)	Notes
1	$ (115)	Though charged $1,492 per GUS, the employer was charged only $1,377 per TMS, which is a difference of $115. The $115 was paid on 9/24/2019, the day BPS went down. This may have been why the $115 was not entered into TMS.
2	$ (702)	The employer was not charged originally, as the claimant was said to have resigned/quit. However, the Agency subsequently determined that the claim should be allowed because the evidence provided did not support that the claimant resigned/quit. Nevertheless, the Agency still did not charge the employer.
3	$ (5,112)	The employer was not charged originally, as the claimant was said to have been discharged due to misconduct. However, the Agency subsequently determined that the claim should be allowed because the evidence provided did not support that the claimant was discharged due to misconduct. Nevertheless, the Agency still did not charge the employer.
4	$ 590	Two employers responded that the claimant resigned/quit, and the Agency determined that these employers should not be charged. However, both of these employers were still charged.

The net amount undercharged within the sample was $5,339. The total sample tested was $141,909, and the total population was $237,274,076. The dollar error rate for the sample was 3.76% ($5,339/$141,909), which estimates the potential amount undercharged for fiscal year 2020 to be $8,921,505 (dollar error rate multiplied by population).

Cause: System errors and inadequate procedures.

Effect: Without adequate procedures for charging properly for benefits, there is an increased risk of not only employers being charged improperly but also noncompliance with both Federal regulation and State statute.

Recommendation: We recommend the Agency improve procedures to ensure employers are charged properly for benefits in accordance with both Federal regulation and State statute.

Management Response: NDOL disagrees. As stated in 26 CFR section 31.3302(a)-3(a)(1), the "credits" referenced in the section are the amount of "contributions" paid by the employer under state law. As defined in Neb. Rev. Stat. §48-602(12), contributions are the federal portion of the combined tax paid by an employer. 26 CFR section 31.3302(a)-3(a)(1) requires that the amount of taxes paid by an employer must be properly reported in order for the employer's FUTA credits to be properly calculated. Benefits charged under Neb. Rev. Stat. §48-652 are evidence of the experience of an employer but have no tie to the amount of contributions reported under 26 CFR section 31.3302(a)-3(a)(1). The charging of benefits may affect an individual employer's tax rate in subsequent years but does not affect the amount of taxes collected by the Department. As per subsection (4) of Neb. Rev. Stat. §48-649.03, tax rates are based upon "the amount of benefits paid from combined tax during the four calendar quarters ending on September 30 of the preceding year" irrespective of whether the benefits were chargeable to a specific employer or the pool account. The charging of benefits has no impact on the amount of combined tax collected.

> The Auditor's assertion that NDOL has "consistently" failed to meet the requirements of §48-652(3)(a) is unsupported by historical records. The charging of benefits to employer experience accounts has been a part of the USDOL TPS review process since the TPS reviews began in 1996. NDOL has received a passing score on the charging portion of the TPS review each year since 2008.

APA Response: An employer is taxed based on the employer's experience rating, which is affected by how much that employer is charged for benefits received by claimants. When charged improperly, therefore, the employer will not be taxed properly. As noted above, 2 CFR § 200.302(a) requires, "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." This is problematic given that the Agency has failed to comply consistently with the requirements of § 48-652(3)(a). We noted a 16% error rate for the employer accounts tested.

MILITARY DEPARTMENT

Finding 2020-062

Program: CFDA 12.401 – National Guard Military Operations and Maintenance (O&M) Projects – Cash Management

Grant Number & Year: Appendices – W91243-19-2-1001, FFY 2019; W91243-20-2-1001, FFY 2020; and W91243-20-2-1024, FFY 2020

Federal Grantor Agency: U.S. Department of Defense

Criteria: Title 2 CFR § 200.305(a) (January 1, 2020) 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, 2019) 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, 2019, through June 30, 2020, 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. A similar finding was noted in the prior audit.

Repeat Finding: 2019-068

Questioned Costs: None

Statistical Sample: No

Context: We noted the timing of four of five drawdowns tested was not in compliance with NGR 5-1. Funds were expended from 53 to 154 calendar days after the drawdown of Federal funds, which exceeded the 45-day maximum per NGR 5-1. We also noted that five of five drawdowns tested were not in compliance with the applicable funding technique outlined in the CMIA Agreement. Funds were expended from 27 to 105 business days after the drawdown of Federal funds, which exceeded the three business day maximum, as outlined in the CMIA Agreement.

A similar finding was noted during the previous audit. In its Corrective Action Plan for the prior-year finding, the Agency indicated the following:

> *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.*

However, the Agency noted that due to other operational priorities, it did not follow-up with DAS-Accounting during the fiscal year ended June 30, 2020, to seek the exception.

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 Agency acknowledges the finding. We also note that the requirement per the CMIA Agreement which requires the program to request Federal funds in accordance with the pre-issuance funding technique and that such funds are to be requested and deposited in a State account not more than three business days prior to the disbursement of funds is not a reasonable standard for the National Guard Military Operations and Maintenance Program. The program must forecast expenses in order to drawdown adequate federal funds and yet in some cases, utility costs and building repair and maintenance costs for example, the exact amounts are not known at the time of request for funds. Thus, monthly Cash Flow documents estimating anticipated expenditures are used in order to have adequate funds available to meet the State Prompt Payment Act standard of 45 days. Using the 45 day standard as outlined in National Guard Regulation 5-1 is more appropriate for the drawdown and disbursement of funds for this program.

<u>Finding 2020-063</u>

Program: CFDA 21.019 – Coronavirus Relief Fund (CRF) – Allowability

Grant Number & Year: N/A

Federal Grantor Agency: U.S. Department of the Treasury

Criteria: 42 USC 801(d) (2020) states, in relevant part, that a State, Tribal government, and unit of local government shall use funds from the Coronavirus Fund (CRF) to cover only costs that are "necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19)."

2 CFR § 200.303 (January 1, 2020) requires the non-Federal entity to establish and maintain effective internal controls to ensure compliance with Federal regulations. A good internal control plan requires procedures to ensure costs are proper and adequately supported.

Condition: Three of six journal entry charges tested did not have adequate documentation to support that costs were allowable.

Repeat Finding: No

Questioned Costs: $387,108 known

Statistical Sample: No

Context: We tested six journal entry line items, totaling $1,408,005, and noted the following:

- Two items tested were Nebraska Department of Veteran's Affairs (NDVA) reimbursements. NDVA requested reimbursement from the Agency for COVID-19 related expenditures it incurred at the four veterans' homes it administers in the State of Nebraska and at its central office. Included in the requests were amounts claimed for "absentee staff coverage," which involved staff absent as a result of COVID-19 related issues, such as family care or need to self-quarantine. NDVA claimed reimbursement at the overtime wage rate of the NDVA employee who covered the shift of the absent NDVA staff member.

  During the fiscal year ended June 30, 2020, the Agency reimbursed NDVA a total of $840,585, using CRF funds on 10 payment documents. We tested two of the reimbursements, totaling $266,614. We noted the spreadsheets NDVA used to claim reimbursement included an error in the formula used to calculate overtime wage rates for NDVA employees covering staff who were absent due to COVID-19 related issues. This error resulted in NDVA being reimbursed $21,203 in total more than it should have, as summarized below:

Period	Claimed	Actual	Questioned Costs
March 5, 2020 to March 29, 2020	$ 18,955	$ 12,091	$ 6,864
April 30, 2020 to April 12, 2020	$ 38,545	$ 24,206	$ 14,339

- We tested a $109,443 payment that the Agency made to a temporary medical staffing company for assistance with COVID-19 testing. The billing was for work completed during three separate time periods. The majority of the work was billed based on hourly rates, as outlined in a rate schedule, with the exception of two workers whose work was billed at salaried rates of $4,000 per week. During our testing, we noted the following issues:

  - The company invoiced the Agency a total of $24,000 for the salaried workers. However, the $4,000 per week rate paid for these workers was not included in the rate schedule provided, and no other support was on file showing this rate was proper. Additionally, no timesheets or other documentation was on file to support work being performed by these workers for two of the three time periods billed.

  - The amount paid for hours worked by one hourly worker was not calculated correctly, resulting in an overpayment of $120.

    Questioned costs for the payment tested was $24,120. The Agency paid a total of $893,644 to the vendor during the fiscal year ended June 30, 2020.

- We tested a $168,000 payment the Agency made to the Fairfield Inn in Crete, NE, under the Nebraska Accommodation Project (NAP). The hotel was intended to be utilized as a quarantine site for individuals exposed to COVID-19. The Agency executed a contract with the hotel that allowed it to utilize the entire hotel for purposes of lodging individuals, including members of the public, as determined by the Agency. The contract included a termination clause that allowed the Agency to terminate the agreement with 48 hours' written notice and receive a prorated refund. Only one individual utilized the hotel. The Agency did not exercise the termination clause in the contract.

We reviewed similar payments the Agency made to hotels using CRF funds and noted three additional payments to hotels, totaling $173,785, for quarantine purposes that the Agency could not quantify or provide support for the number of individuals, if any, utilizing the hotels.

See below for a summary of the hotel payments reviewed:

Hotel	Rental Period	Space Rented	Amount Paid
Fairfield Inn (Crete, NE)	31 Nights	Entire Hotel – 80 Rooms	$ 168,000
Comfort Inn (Omaha, NE)	14 Nights	30 Rooms	$ 16,800
Staybridge Suites (Lincoln, NE)	30 Nights	Entire Hotel – 50 Rooms	$ 119,985
Motel 6 (Grand Island, NE)	26 Nights	Entire Hotel - 49 Rooms	$ 37,000

Questioned costs for the hotels tested was $341,785. The Agency paid a total of $372,255 to hotels under COVID-19 hotel contracts/agreements during fiscal year 2020.

CRF expenditures totaled $48,343,274 for the fiscal year ended June 30, 2020, of which $5,490,258 was charged through journal entry transactions.

Cause: The spreadsheet NDVA used to support the billing included a formula error. The Agency stated that is was "directed to pay the invoices without supporting documentation (which Deloitte was to obtain at a later date and reconcile with them)." The vendor said the second issue was caused by an error in its billing system.

Effect: When amounts charged are not supported adequately, there is increased risk for unallowable costs and misuse of funds.

Recommendation: We recommend the Agency implement procedures to ensure charges to Federal awards are proper and adequately supported.

Management Response: We concur with the overtime calculation error finding for Nebraska Department of Veterans Affairs resulting in a reimbursement error for eligible costs. The corrected formula is now being used.

Regarding the costs incurred for contracting hotels for use in the State's COVID-19 response, in accordance with Center for Disease Control and Prevention guidelines (see CDC Interim U.S. Guidance for Risk Assessment and Work Restrictions for Healthcare Personnel with Potential Exposure to SARS-CoV-2, dated 3/11/21) and Federal Emergency Management Agency best practices (see COVID-19 Best Practice Information: Healthcare Worked and Responder Safety, dated 5/7/20), the state contracted hotels for use as quarantine/isolation sites for first responders, healthcare workers and other public safety workers. In addition, the State recognized the potential impact of COVID-19 on meat processing plant employees, estimated to be approximately 26,000 workers in Nebraska, and added those populations to the groups eligible to use the contracted hotels. Quarantine and isolation measures were necessary to address disease control among the identified groups. Securing facilities and medical staff to support sites that were readily available to meet diverse population requirements, provided the flexibility to address unknown and not easily predictable capacity requirements associated with a rapid onset of pandemic disease progression. Safe and appropriately staffed isolation locations were required to protect essential public safety and healthcare workers deemed critical to protect lives and preserve a critical workforce to avoid even greater disruptions to the food supply chain.

APA Response: The APA understands the use of hotels as isolation shelters for healthcare workers and first responders and has no objection whatsoever to implementation, per CDC guidelines, of an appropriate COVID-19 response. Pursuant to a contract with one of the hotels, however, the Agency spent $168,000 for only one person to stay there. In doing so, the Agency failed to exercise its option to terminate the agreement and receive a prorated refund. Similarly, the Agency was unable to provide adequate support for the individuals and dates stayed in any of the three other hotels to which a combined total of $173,785 was paid for quarantine/isolation services. Based on minutes provided after fieldwork, only a fraction of the hotel rooms paid for were utilized.

DEPARTMENT OF TRANSPORTATION

Finding 2020-064

Program: 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, 2020) 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 2020-021, the funding source for expenditures is not recorded or maintained on EnterpriseOne.

Repeat Finding: 2019-069

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 542 control numbers, totaling $416,514,319. 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, 300 control numbers, totaling $33,779,321, 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 recorded properly.

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.

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 2020-065

Program: 20.505 – Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research – Allowability & Subrecipient Monitoring

Grant Number & Year: NE-2019-012-000, FFY 2016

Federal Grantor Agency: U.S. Department of Transportation

Criteria: 2 CFR § 200.331(d) (January 1, 2020) requires pass-through entities to do the following:

> *Monitor the activities of the subrecipient as necessary to ensure that the sub-award is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the sub-award; and that sub-award performance goals are achieved.*

2 CFR § 200.403 (January 1, 2020) 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.

2 CFR § 200.511(b) (January 1, 2020) 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: 2019-070

Questioned Costs: $49,672 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 one MPO tested.

The Agency reimbursed the MPO for costs reported on a quarterly basis. However, the Agency did not obtain support for $49,672 of the $95,604 reimbursed to the MPO. Subrecipient payments for fiscal year 2020 totaled $121,005.

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 Transit reviews each invoice for allowable costs and contacts the MPO for additional information.

Finding 2020-066

Program: CFDA 20.509 – Formula Grants for Rural Areas; 20.509 – COVID-19 Formula Grants for Rural Areas – Allowability & Subrecipient Monitoring

Grant Number & Year: NE-2018-015-00, FFY 2016; NE-2019-013-00, FFY 2017; NE-2020-013-00, June 17, 2020, to September 30, 2023

Federal Grantor Agency: U.S. Department of Transportation

Criteria: 2 CFR § 200.403 (January 1, 2020) 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.

2 CFR § 200.331(d) (January 1, 2020) requires the 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; and that subaward performance goals are achieved.*

2 CFR § 200.430(i)(1) (January 1, 2020) 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, 2020), "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 § 200.511(b) (January 1, 2020) 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: 2019-071

Questioned Costs: $212,788 known (NE-2018-015-00, $11,301; NE-2019-013-00, $150,269; NE-2020-013-00, COVID-19, $51,218)

Statistical Sample: No

Context: During the fiscal year, the Agency paid $10,360,227 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. During the fiscal year, the Agency received a CARES Act grant that reimbursed subrecipients 100% of operating and non-operating costs.

We tested 25 payments, 21 of which were payments to 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 $212,788 were noted for the following reasons:

- For 19 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 three subrecipients tested, fuel costs were not adequately supported. Receipts were not provided supporting the fuel costs.

- For four subrecipients tested, maintenance expenses were not adequately supported. Sales taxes were paid on the maintenance expenses for two subrecipients. The Agency did not obtain support for the reimbursement of a car wash for a subrecipient, and the Agency did not have documentation to support the allocation of expenses for the other subrecipient.

- For 17 subrecipients tested, 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.

- 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 reported properly, Federal reimbursements could be excessive.

We also noted that the Agency did not perform subrecipient monitoring for three subrecipients. During fiscal year 2020, these subrecipients were reimbursed a total of $857,452. Questioned costs are unknown for these subrecipients.

Federal payment errors noted were $114,533 in the sample and $98,255 outside of the sample. The total Federal sample tested was $321,187, and the total Federal expenditures, excluding Agency payroll and adjusting entries, was $12,330,526. Based on the sample tested, the dollar error rate was 35.66% ($114,533/$321,187), which estimates the potential dollars at risk for fiscal year 2020 to be $4,397,066 (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 strengthen procedures to ensure subrecipient expenditures are allowable and in accordance with Federal regulations.

> **Management Response:** 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.
>
> 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.
>
> Fare revenue is not reviewed due to the inconsistent nature of each agency's fare structure. Rural transit agencies funded through the Section 5311 program are not required to charge fares. However, when fares are collected the dollar amount per trip is determined locally and could vary based on distance traveled, passenger age, destination, etc. Reviewing fare revenue would require reviewing multiple driver logs per month per agency to identify fares collected and origins/destinations to compare to the current fare schedule. The level of effort required outweighs the potential risk.

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.

AUDITEE SECTION

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NEBRASKA

Good Life. Great Service.

DEPT. OF ADMINISTRATIVE SERVICES

Pete Ricketts, Governor

Corrective Action Plan

The State of Nebraska Administrative Services respectfully submits the following corrective action plans for the fiscal year ended June 30, 2020. 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 J. Olsen
State Accounting Administrator

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II. Findings Relating to the Financial Statements:

DEPARTMENT OF ADMINISTRATIVE SERVICES

Finding 2020-001

Capital Asset Accounting Issues

Corrective Action Plan: State Accounting will partner with agencies and provide training specifically in the areas of preparing capital asset information.

Contact: Sheryl Hesseltine (402) 471-0610

Anticipated Completion Date: June 30, 2021

Finding 2020-002

Errors in CAFR Preparation

Corrective Action Plan: State Accounting will partner with the APA and provide agency specific training specifically in the areas of preparing accounts payable and receivable accruals, and capital asset information. DAS intends to partner with agencies to increase their internal resources dedicated to preparing CAFR information. Additional efficiencies will be realized from updated CAFR preparation software placed into production on January 27, 2021.

Contact: Sheryl Hesseltine (402) 471-0610

Anticipated Completion Date: June 30, 2021

Finding 2020-003

Unemployment Insurance Fund Issues

Corrective Action Plan: State Accounting will work with NDOL to refine existing procedures for reporting Unemployment Insurance CAFR numbers. NDOL has already implemented new reporting elements in the unemployment benefits system specific to CAFR reporting.

Contact: Sheryl Hesseltine (402) 471-0610

Anticipated Completion Date: June 30, 2021

Finding 2020-004

Agency Accrual Errors

Corrective Action Plan: State Accounting will partner with the APA and provide specific training on the payables and receivables noted above. DAS intends to partner with DHHS to increase their internal resources dedicated to preparing CAFR information.

Contact: Sheryl Hesseltine (402) 471-0610

Anticipated Completion Date: June 30, 2021

Finding 2020-005

Lack of Financial Statement Reconciliation

Corrective Action Plan: State Accounting is currently working on a reconciliation between the 2020 SEFA and 2020 CAFR.

Contact: Sheryl Hesseltine

Anticipated Completion Date: April 30, 2021

Finding 2020-006

Human Resources Use Role 65 & E1 Pay Rate Override

Corrective Action Plan: DAS will continue to work to minimize the number of times payroll batches are processed by one person. DAS will also review the Kronos interface process to determine if false positives can be eliminated.

Contact: Ron Carlson

Anticipated Completion Date: August 31, 2021

Finding 2020-007

E1 Special Handle a Voucher

Corrective Action Plan: State Accounting will continue to review compensating control processes and procedures related to Payee Control and Special Handle a Voucher functions.

Contact: Ron Carlson

Anticipated Completion Date: June 30, 2022

Finding 2020-008

Changes to Vendor and Banking Information

Corrective Action Plan: DAS will continue to review and improve procedures for vendor set-up and maintenance, including accuracy of vendor records.

Contact: Ron Carlson

Anticipated Completion Date: Ongoing

Finding 2020-009

E1 Timesheets

Corrective Action Plan: Agencies will be reminded to retain any information they may receive, generate or create outside of EnterpriseOne in support of an agency's payroll to be done in accordance with the Nebraska Records Retention and Disposition Schedule 124.

Contact: Ron Carlson

Anticipated Completion Date: Ongoing

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding 2020-010

Material Adjustments to Accrual

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 reviewed by responsible parties. DHHS will be meeting with DAS staff to work through any necessary corrections for the next fiscal year.

Contact: John Meals

Anticipated Completion Date: June 30, 2021

Finding 2020-011

Lack of Adequate Subrecipient Monitoring

Corrective Action Plan: The Department's responsibility to address the impact of Covid-19 temporarily affected the completion of monitoring during this State fiscal year. The federal funds noted by the auditor largely follow the federal year so as of 6/30/2020; the monitoring was not due to be completed. The necessary reviews either have been or are in the process of being completed now.

Contact: Karen Harker, Peggy Trouba, Brian Gilliland, John Meals

Anticipated Completion Date: June 30, 2021

Finding 2020-012

Erroneous Financial Transactions

Corrective Action Plan: DHHS has utilized the DAS State accounting manual and internal control guidance. However, during 2021, DHHS will be creating a department-wide internal control policy, specific to our agency. This policy will address the issues in this finding and contribute toward the future finding prevention.

Contact: John Meals

Anticipated Completion Date: December 31, 2021

Finding 2020-013

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 $3,036,697.90 overpayments for SNAP on 5,366 referrals. Each month, 300-500 new referrals of potential overpayments are received, reviewed and processed within 30 days of the referral. Last year, 3% 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 481 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. All referrals from the overpayment backlog have been reviewed and claims established where appropriate.

Effective October 1, 2020, Nebraska has updated their definition of date of discovery as the date when a potential overpayment is initially identified and submitted for review. This change has been completed in the State plan, and Nebraska Administrative Code (NAC) is in the process of being updated. This allows for closer alignment to the federal regulations. In addition, the department is working to make corrections to the spreadsheets and database to ensure that data is stored accurately.

Contact: Shannon Grotrian, Melissa Weyer

Anticipated Completion Date: June 30, 2021

Finding 2020-014

University of Nebraska Medical Center Medical Education Revolving Fund

Corrective Action Plan: DHHS Financial Services will work with DHHS Medicaid staff to ensure transactions in the UNMC Medical Education revolving fund comply with 85-134.

Contact: John Meals, Jeremy Brunssen

Anticipated Completion Date: June 30, 2021

Finding 2020-015

Lack of Timely Response for Audit Requests

Corrective Action Plan: The Department will establish procedures to ensure compliance with 84-305.

Contact: John Meals

Anticipated Completion Date: June 30, 2021

Finding 2020-016

Lack of Service Organization Control Reports

Corrective Action Plan: The Department will work with the service organizations to impress upon them our need of timely receipt of the applicable SOC reports. However, the Department would note that this issue is largely outside of our control.

Contact: Peggy Trouba, Andrew Vanek

Anticipated Completion Date: June 30, 2021

Finding 2020-017

NFOCUS External Access – Child Advocacy Centers

Corrective Action Plan: The Department provided notice on May 21, 2020 to the Child Advocacy Centers that their NFOCUS access would be terminated on July 1, 2020. Per NRS 28-712.01, CACs are to have access to all Child Abuse and Neglect intakes. Since July 1, 2020 the CACs have been accessing these intakes via the Nebraska Data Exchange Network (NDEN). The Department only provides information that is allowable by law for the CACs to view.

Contact: Michaela Hirschman

Anticipated Completion Date: July 1, 2020

INVESTMENT COUNCIL

Finding 2020-018

Quarterly Endowment Distribution Errors

Corrective Action Plan: The Council staff has added a step to procedures to ensure this will not happen again. Staff now specifically verifies in-depth the custodial bank income distribution report. Staff explicitly verifies capital gains to ensure they are not included in distributions. Incorrectly distributed gains are being systematically recaptured quarterly from affected state agencies and reinvested in the endowments.

Contact: Michael Walden-Newman, State Investment Officer

Anticipated Completion Date: Procedures update completed. Recapture to be completed June 2021.

DEPARTMENT OF LABOR

Finding 2020-019

Inadequate Controls, Improper Payments, and Possible Fraudulent Claims

Corrective Action Plan: No corrective action plan is needed. NDOL has taken steps that address the concerns raised in finding 2020-019. The agency has and continues to provide updated guidance to NDOL employees and contractors as conditions surrounding the temporary programs, executive orders, and federal guidance change. Since the audit, there have been changes to both the state and federal unemployment programs. Many of the Governor's Executive Orders are no longer active. Federal legislation has required changes to PUA employment verification. NDOL implemented new identity fraud detection tools for all claims. The NCJIS prisoner crossmatch is being used, though NDOL is under no affirmative duty to use any particular methodology for identifying prisoners and was already doing so through the SSA crossmatch. STC plans are being followed in accordance with NDOL interpretation of the law. The quarterly wage crossmatch has resumed, retroactively, and had no impact on the actual weekly payment of claims. Other measures have been taken as well. NDOL passed the most recent Benefit Timeliness and Quality (BTQ) audit for state claims, while receiving and unprecedented volume of claims, so internal controls are appropriate. The Federal standard for BTQ is 75%. The unemployment program is designed to be a balance between making prompt payments and insuring accuracy.

Contact: Andi Bridgmon, UI Director

Anticipated Completion Date: N/A

Finding 2020-020

Unemployment Insurance Fund Issues

Corrective Action Plan: NDOL will work with State Accounting to refine existing procedures for reporting Unemployment Insurance CAFR numbers. NDOL has already implemented new reporting elements in the unemployment benefits system specific to CAFR reporting.

Contact: Kim Schreiner (402) 471-2492

Anticipated Completion Date: September 1, 2021

DEPARTMENT OF TRANSPORTATION

<u>Finding 2020-021</u>

Federal Activity Recorded in Cash Funds

Corrective Action Plan: NDOT does recognize that improvements could be made to the internal financial systems. In fact, NDOT has recently completed a financial systems modernization roadmap, which will guide future enhancement and/or replacement of some of the existing legacy systems, including the potential for NDOT to use the State's accounting system, EnterpriseOne, directly in the future. FHWA will be invited to participate in the modernization efforts. NDOT will communicate more effectively with the Auditor's Office in the future with respect to the timing of submission of the federal fund reconciliation and is also working toward automation using the existing internal financial systems that allow the reconciliation to be provided more timely.

Contact: Lyn Heaton, Jenessa Boynton

Anticipated Completion Date: Ongoing

III. Findings Relating to Federal Awards:

DEPARTMENT OF ADMINISTRATIVE SERVICES

Finding 2020-022

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

Corrective Action Plan:

Print Shop Rates: Teammates from Materiel, Central Finance and the IT Team have identified, and began working through, a methodology as the basis for rate setting at the cost center level.

Bookwork and Accounting: Print shop will track actual hours worked for bookwork and accounting services with DHHS.

Contact: Ann Martinez, DAS Controller

Anticipated Completion Date: Print shop rates are currently being developed at the cost center level for the FY23-25 biennium. Bookwork and Accounting charges will be assessed based on actual hours beginning April 1, 2021.

Finding 2020-023

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

Corrective Action Plan: We will reiterate to State agencies that they are responsible for providing the Department of Administrative Services with accurate SEFA data. Administrative services will work with specific agencies to educate them on SEFA reporting and the need to utilize the correct account code for aid to subrecipients. Administrative Services is currently working on a reconciliation between the 2020 SEFA and 2020 CAFR.

Contact: Sheryl Hesseltine

Anticipated Completion Date: June 2021

COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED

Finding 2020-024

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

Corrective Action Plan: NCBVI will train a second person to review and verify all information reported on Federal Reports. This will begin with the quarterly RSA 17 and the Semi-Annual SF 425s due 4/30/2021.

Contact: Kat Carroll

Anticipated Completion Date: Immediately

DEPARTMENT OF EDUCATION

Finding 2020-025

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

Corrective Action Plan: The Nebraska Department of Education, under the review of the United States Department of Education and guidance of their Federal Compliance Specialists as recent as December 2020, recognizes sub-recipient fiscal internal controls through a dedicated section of the Department and is accountable for the Standards for Internal Control in the Federal Government (Green Book) and regulation under the 2CFR Part 200: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. The Grant Compliance Section under the Office of Budget & Grants Management conducts fiscal monitoring and subrecipient internal controls annually through a minimum of 80 sub-recipient fiscal monitoring audits. These NDE sub-recipient fiscal monitoring audits and dedicated federal internal control processes for the entities reviewed with a given year are available for the Nebraska APA to include in their review.

The Grant Compliance Section provides a standardized practice of sub-recipient internal controls: fiscal monitoring policy and procedures for LEAs subrecipients under 2 CFR § 200.332, control environment, risk assessment, technical assistance through the lifecycle of a grant, non-compliance and questioned costs measures, single audit practices, and sub-recipient fiscal monitoring. Fiscal monitoring audits reimbursements including necessary and required documentation, allowability, and allocability as well as establishes that a sub-recipient has internal controls in place to support these Federal awards through policies, procedures, and engages in established practices. Fiscal monitoring also provides one-on-one technical assistance where and when it is needed as well as through scheduled events through the year. Sequential sampling monitoring ensures that the NDE monitors all subrecipients effort at any given point in time on a 1-to-3-year cycle based on level of risk (23 data-driven evidenced based indicators), level of award and if under a corrective action from prior monitoring cycles.

Contact: Tom Goeschel; tom.goeschel@nebraska.gov

Anticipated Completion Date: The sub-recipient fiscal monitoring and internal control processes through the Grant Compliance Section are assessed annually and deployed each July.

Finding 2020-026

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

Corrective Action Plan: Response to the USDE "Required Correction Actions", NDE recalculated FFY2017, FFY2018, FFY2019 and FFY2020 (no errors found with FFY2020). An allowable option by USDE, "make downward adjustments to over-allocated LEAs' future allocations and upward adjustments to under-allocated LEAs' future allocations". Recalculation differences found will be adjusted with the FFY2021 IDEA grant school district allocation determination in April 2021.

Contact: Greg Prochazka

Anticipated Completion Date: April 2021

Finding 2020-027

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

Corrective Action Plan: Nebraska VR will continue to conduct quarterly case reviews to ensure 100% compliance with the Vested Interest Chapter. The VR Program Director will work with the Office Director and VR staff to ensure all appropriate documentation is filed and entered in QE2.

Contact: Lindy Foley/Mary Matusiak

Anticipated Completion Date: Corrective Actions are already in process and will be implemented through March 2022.

Finding 2020-028

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

Corrective Action Plan: VR corrected this in the mapper. The reporting code was adjusted to set the Start Date of Employment in Primary Occupation (data element 350) at the time the client is placed in Employment Follow-up, and report it even if the client is currently not in Employment Follow-up Status.

Contact: Lindy Foley, Sheri Nitzsche

Anticipated Completion Date: Completed

Finding 2020-029

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

Corrective Action Plan: Nebraska VR will start reporting staff travel, rent utilities, and supply costs, etc. of administration, district, and field offices, as well as personnel costs of supervisors who do not manage a caseload or perform the functions of a VR counselor as direct administrative costs.

Contact: Lindy Foley, Amy Hancock

Anticipated Completion Date: Immediately

Finding 2020-030

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

Corrective Action Plan: The Nebraska 21st CCLC programmatic monitoring checklist was revised for the 2020-21 school year and an item requesting supporting documentation for a prior reimbursement requests (randomly selected by the fiscal analyst and 21st CCLC director) is now required. The 21st CCLC Grantee Assistance Guide (to be revised July 2021) will include more specificity regarding adequate salary supporting documentation.

Contact: Jan Handa

Anticipated Completion Date: July 2021

Finding 2020-031

Program: CFDA 84.367 – Supporting Effective Instruction State Grants – Allowability

Corrective Action Plan: The Budget Management Specialist under the Office of Budget & Grants Management conducts a sampling of each reimbursement request, which includes an overview of the grantee general ledger and supporting documentation for a preliminary review of reasonableness and allowability. If there are any unusual assessments within this sample, sub-grantees are contacted to provide additional documentation or clarification.

The Nebraska Department of Education, under the review and guidance USED Federal Compliance Specialists as recent as December 2020, recognizes sub-recipient fiscal internal controls through a dedicated section of the Department and is responsible for the Standards for Internal Control in the Federal Government (Green Book) or under the 2CFR Part 200: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. The Grant Compliance Section under the Office of Budget & Grants Management conducts fiscal monitoring and subrecipient internal controls annually through a minimum of 80 sub-recipient fiscal monitoring audits. The NDE sub-recipient fiscal monitoring audits and dedicated federal internal control processes are available for the Nebraska APA to include in their review.

The Grant Compliance Section provides a standardized practice of sub-recipient internal controls: fiscal monitoring policy and procedures for LEAs subrecipients under 2 CFR § 200.332, control environment, risk assessment, technical assistance through the lifecycle of a grant, non-compliance and questioned costs measures, single audit practices, and sub-recipient fiscal monitoring. Fiscal monitoring audits reimbursements including necessary and required documentation, allowability, and allocability as well as establishes that a sub-recipient has internal controls in place to support these Federal awards through policies, procedures, and engages in established practices. Fiscal monitoring also provides one-on-one technical assistance where and when it is needed as well as through scheduled events through the year. Sequential sampling monitoring ensures that the NDE monitors all subrecipients effort at any given point in time on a 1-to-3-year cycle based on level of risk (23 data-driven evidenced based indicators), level of award and if under a corrective action from prior monitoring cycles.

Contact: Tom Goeschel; tom.goeschel@nebraska.gov

Anticipated Completion Date: The sub-recipient fiscal monitoring and internal control processes through the Grant Compliance Section are assessed annually and deployed each July.

Finding 2020-032

Program: CFDA 84.367 – Supporting Effective Instruction State Grants – Special Tests

Corrective Action Plan: An additional question will be added on the review checklist to check that the administrative/indirect costs on the Nonpublic School Participation Page matches the amount listed on the budget.

Contact: Beth Wooster

Anticipated Completion Date: Completed

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding 2020-033

Program: CFDA 93.575 – Child Care and Development Block Grant; CFDA 93.658 – Foster Care Title IV-E – Allowable Costs/Cost Principles

Corrective Action Plan: The agency will review and adjust current procedures where necessary. The agency will also review and adjust procedures for training applicable staff on the need for ensuring their staff is charged to the correct location.

Contact: John Meals, DHHS HR

Anticipated Completion Date: 6/30/2020

Finding 2020-034

Program: CFDA 93.658 – Foster Care Title IV-E; CFDA 93.778 – Medical Assistance Program – Allowable Costs/Cost Principles

Corrective Action Plan: Post-NCAP review instructions will be updated to ensure that the vendor utilizes correct labor hours statistics. Vendor has been notified of the LH2 allocation issue with the Central Services and Supplies cost center and will have it corrected as of the 9/30/20 quarter. Cost Allocation adjustments will occur by the 6/30/21 quarter. DHHS identified the net impact (overcharge of some federal programs and undercharge of other federal programs).

Contact: Patrick Werner

Anticipated Completion Date: 7/30/2021

Finding 2020-035

Program: Various, including CFDA 93.778 – Medicaid – Allowable Costs/Cost Principles

Corrective Action Plan: The Department disagrees with the first bullet, but agrees with bullets two and three. For the First Data contract, the Department believe 45 CFR 95.626 requires an IV&V contractor to be maintained and would disagree with the auditor's assessment. For IST Fiscal Projects Billing, DHHS will carve out costs identified for CHARTS, MMIS, and other fees from this cost center and place them in a more appropriate cost center for the respective fee (CHARTS cost center, MMIS cost center, etc.). DHHS will work with OCIO on obtaining the supporting documentation on a go-forward, and will maintain the documentation in order to confirm proper allocation later.

Contact: Patrick Werner, Jeremy Brunssen

Anticipated Completion Date: 12/31/2020

Finding 2020-036

Program: CFDA 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children; CFDA 93.243 – Substance Abuse and Mental Health Services Projects of Regional and National Significance; CFDA 93.674 – John H. Chafee Foster Care Program for Successful Transition to Adulthood – Allowability & Subrecipient Monitoring

Corrective Action Plan: See Finding 2020-011

Finding 2020-037

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

Corrective Action Plan: DHHS anticipates restarting in depth sub recipient monitoring practices with the conclusion of the federally declared emergency or sooner, if possible. With regards to sub recipient monitoring procedures for the Public Health Emergency Preparedness (PHEP); CFDA 93.889 – National Bioterrorism Hospital Preparedness Program the unit within the Division of Public Health has recently hired a new Administrator. A new PHEP Manager and a new HPP Coordinator will be hired soon. The unit itself is recently going through an organizational change. During this change, the new employees will be working with their federal counterparts to ensure that they receive training and meet the expectations driven by federal regulations.

Recent turnover of personnel also made efforts hard when trying to find past documentation. DHHS will continue to seek appropriate documentation, and as necessary, retrieve supporting documents from sub recipients.

Contact: Brian Madison

Anticipated Completion Date: 6/30/2021

Finding 2020-038

Program: CFDA 93.556 – Promoting Safe and Stable Families – Allowability & Subrecipient Monitoring

Corrective Action Plan: The department reviewed its subrecipient monitoring process and procedures in the summer/fall of 2020. The new procedures went into effect 11/1/20 and include a requirement to test a sample of expenses paid to each subrecipient.

Contact: Michaela Hirschman

Anticipated Completion Date: 12/31/2020

Finding 2020-039

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 2020-040

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

Corrective Action Plan: The TANF program is working with the DHHS NFOCUS team to correct the reporting system for the ACF-199 and ACF-209 reports, specifically to address the issues noted in the finding.

Contact: Will Varicak

Anticipated Completion Date: 11/30/2021

Finding 2020-041

Program: CFDA 93.563 – Child Support Enforcement – Allowability & Subrecipient Monitoring

Corrective Action Plan: The Agency reviews quarterly claims from counties that are supported by invoices and documentation. An Accountant II initially conducts a desk audit and Finance Manager reviews the full claim for final approval before initiating payment. The Agency will provide additional outreach and training materials to the counties to clarify documentation necessary to support allowable expenditures. The Agency will strengthen processes to ensure that proper documentation is submitted and maintained with the quarterly claim to support the reimbursement prior to final approval for payment.

Contact: Cindy Wiesen

Anticipated Completion Date: 6/30/2021

Finding 2020-042

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

Corrective Action Plan: With regards to billing errors and attendance records, the Department has been working on a redesign of the provider-billing portal. This redesign includes: 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. The Department started a pilot with a few providers in January 2021; statewide implementation will follow once the pilot period is evaluated.

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.

With regards to the two calendars, the Department was unable to obtain due to both child care providers closing their business. Attendance records will be electronically stored in the revised billing portal for both active and closed providers.

The Child Care Program will review the Employment First (EF) child care error with the EF Program to ensure workers are aware of child care and EF policies and procedures.

Contact: Nicole Vint

Anticipated Completion Date: 6/30/2021

Finding 2020-043

Program: CFDA 93.575 and 93.596 – CCDF Cluster – Special Tests and Provisions

Corrective Action Plan: Through the SFM, DHHS will have further communication with the delegated authorities to clarify the expectations and timeframes for fire inspections in childcare programs.

Through the Environmental Health Agency, DHHS will have further communication with the delegated authorities to clarify the expectations and timeframes for sanitation inspections in child care programs.

DHHS has updated its policy for fire and sanitation to require Staff Assistants to request a list in November each year of all School Age Only Child Care inspections and inspections completed in programs located in hospitals and schools.

DHHS Child Care Inspection Specialists (CCIS) will be subject to an additional file review to ensure inspection checklists are completed accurately, entirely, and are signed. Child Care Licensing Supervisors will use the established human resource standards to address any specific performance issues with identified Child Care Inspection Specialists.

Contact: Lindsy Braddock

Anticipated Completion Date: 6/30/2021

Finding 2020-044

Program: CFDA 93.575 – Child Care and Development Block Grant – Allowability & Subrecipient Monitoring

Corrective Action Plan: The Department reviews a minimum of 10% of reimbursement requests for all subrecipients. The amount requested is randomly selected and over the duration of the grant period, all aspects of the budget will be sampled. The Department will make changes to the subrecipient monitoring procedures, to include the dollar amount made available under each Federal award and the CFDA number at the time of disbursement.

Contact: Nicole Vint

Anticipated Completion Date: 6/30/2021

Finding 2020-045

Program: CFDA 93.575 – Child Care and Development Block Grant – Period of Performance

Corrective Action Plan: FAPA will update procedures to include more documentation about CCDF claiming.

Contact: Andrew Keck

Anticipated Completion Date: 6/30/2021

Finding 2020-046

Program: CFDA 93.658 – Foster Care Title IV-E – Reporting

Corrective Action Plan: The Agency will update procedures as necessary to ensure the correct ratio of federally funded and state funded expenditures.

Contact: Andrew Keck, Heather Arnold

Anticipated Completion Date: 6/30/2021

Finding 2020-047

Program: CFDA 93.658 – Foster Care Title IV-E – Allowability

Corrective Action Plan: The language regarding the one-way trips has already been removed from the service contracts effective FY20.

Contact: Bryan Gilliland

Anticipated Completion Date: 12/31/2020

Finding 2020-048

Program: CFDA 93.658 – Foster Care Title IV-E – Allowability & Matching

Corrective Action Plan: The agency will work with Federal partners to return questioned costs. The agency will also update procedures as necessary to ensure the correct ratio of federally funded and state funded expenditures.

Contact: Heather Arnold

Anticipated Completion Date: 6/30/2021

Finding 2020-049

Program: CFDA 93.659 – Adoption Assistance – Allowability & Matching

Corrective Action Plan: The agency will work with Federal partners to return questioned costs. The agency will also update procedures as necessary to ensure the correct ratio of federally funded and state funded expenditures.

Contact: Heather Arnold

Anticipated Completion Date: 6/30/2021

Finding 2020-050

Program: CFDA 93.659 – Adoption Assistance – Allowability

Corrective Action Plan: Corrective action has already been completed as described above. The agency will continue to utilize these tools to help monitor rates and reduce clerical errors in the future.

Contact: Bryan Gilliland

Anticipated Completion Date: 12/31/2020

Finding 2020-051

Program: CFDA 93.659 – Adoption Assistance – Eligibility

Corrective Action Plan: Corrective action has already been implemented in 2014. The agency now keeps all files. However, due to our inability to reproduce documents that have previously been shredded, the agency understands that there will be repeated findings in the future until the youth in question age out of the system.

Contact: Bryan Gilliland

Anticipated Completion Date: 12/31/2020

Finding 2020-052

Program: CFDA 93.667 – Social Services Block Grant – Allowability

Corrective Action Plan: The SSAD regulations regarding exceptions for rates have been properly explained to the RD Supervisor. We now have an additional program specialist that will be focused more on provider aspects. She will complete a review of providers to ensure all have been updated to SSAD rates compared to using AD Waiver rates.

Contact: Tammy Allison

Anticipated Completion Date: 5/31/2021

Finding 2020-053

Program: CFDA 93.778 – Medical Assistance Program; 93.778 – COVID-19 Medical Assistance Program – Allowability

Corrective Action Plan: Annual and as needed updates to client/worker and Resource Developer's (RD's) education regarding Service Needs Assessment (SNA) and correct billing policies, including all aspects of Electronic Visit Verification (EVV) as it was implemented in January 2021.

Annual and as needed updates to the EVV website for PAS providers to complete all training needed to do accurate billing and work only hours approved on their Services Needs Assessment.

Contact: Kathy Scheele, Debbie Flower

Anticipated Completion Date: 3/30/2021

Finding 2020-054

Program: CFDA 93.778 – Medical Assistance Program; 93.778 – COVID-19 Medical Assistance Program – Allowability and Eligibility

Corrective Action Plan: The department will continue to review policies and procedures and work to ensure field operations staff are properly trained. Additional guides and tip sheets will be made available as needed.

Contact: Catherine Gekas Steeby

Anticipated Completion Date: 7/30/2021

Finding 2020-055

Program: CFDA 93.778 – Medical Assistance Program – Special Tests and Provisions

Corrective Action Plan: The department is in the process of procuring the services of a vendor to perform the field audits. The department will prioritize and assign work to the new vendor in accordance with the terms and conditions of the contract.

Contact: Flora Coan, Jerry Vanderbeek

Anticipated Completion Date: 12/31/2021

Finding 2020-056

Program: CFDA 93.778 – Medical Assistance Program; 93.778 – COVID-19 Medical Assistance Program – Allowability

Corrective Action Plan: DHHS has hired a new administrator for the COMS unit that oversees agency fixed assets, Connor Griess. Connor has completed an operational excellence project to review and overhaul the fixed asset process within DHHS and will have procedures in place to correct the depreciation calculations in error for the current State Fiscal Year.

Contact: John Meals, Connor Griess

Anticipated Completion Date: 6/30/2021

Finding 2020-057

Program: CFDA 93.778 – Medical Assistance Program – Special Tests and Provisions

Corrective Action Plan: Steps are being taken within the provider screening and enrollment system to prevent missed manual license screening from reoccurring and to verify that providers are licensed appropriately.

Contact: Anne Harvey, Danny Vanourney

Anticipated Completion Date: 12/31/2020

Finding 2020-058

Program: CFDA 93.778 – Medical Assistance Program – Allowability

Corrective Action Plan: Not required. The Division has since retired the In-Home Residential Service and replaced it with the services Supported Family Living and Independent Living.

Contact: Joe Dondlinger

Anticipated Completion Date: N/A

Finding 2020-059

Program: 93.898 – Cancer Prevention & Control Programs for State, Territorial & Tribal Organizations – Allowability & Subrecipient Monitoring

Corrective Action Plan: N/A

Contact: Melissa Leypoldt

Anticipated Completion Date: N/A

DEPARTMENT OF LABOR

Finding 2020-060

Program: CFDA 17.225 – Unemployment Insurance (UI) – Federal; CFDA 17.225 – COVID19 – Unemployment Insurance – Federal; CFDA 17.225 – Unemployment Insurance – State – Allowability & Eligibility

Corrective Action Plan: No corrective action plan is needed. NDOL has taken steps that address the concerns raised in finding 2020-019. The agency has and continues to provide updated guidance to NDOL employees and contractors as conditions surrounding the temporary programs, executive orders, and federal guidance change. Since the audit, there have been changes to both the state and federal unemployment programs. Many of the Governor's Executive Orders are no longer active. Federal legislation has required changes to PUA employment verification. NDOL implemented new identity fraud detection tools for all claims. The NCJIS prisoner crossmatch is being used, though NDOL is under no affirmative duty to use any particular methodology for identifying prisoners and was already doing so through the SSA crossmatch. STC plans are being followed in accordance with NDOL interpretation of the law. The quarterly wage crossmatch has resumed, retroactively, and had no impact on the actual weekly payment of claims. Other measures have been taken as well. NDOL passed the most recent Benefit Timeliness and Quality (BTQ) audit for state claims, while receiving an unprecedented volume of claims, so internal controls are appropriate. The Federal standard for BTQ is 75%. The unemployment program is designed to be a balance between making prompt payments and insuring accuracy.

Contact: Andi Bridgmon, UI Director

Anticipated Completion Date: N/A

Finding 2020-061

Program: CFDA 17.225 – Unemployment Insurance – Federal; CFDA 17.225 – Unemployment Insurance – State – Special Tests and Provisions

Corrective Action Plan: No corrective action plan is needed. The reporting of contributions under 26 CFR section 31.3302(a)-3(a) pertains only to contributions paid to the state employment security agency. Contributions are the federal portion of the combined tax paid by a Nebraska employer and are reported to the IRS. The charging determinations referenced in the finding are not contributions (taxes) paid by the employer and thus are outside the scope of the regulation cited in the finding. Charging determinations may affect individual employer rates, but do not affect the total benefits paid or result in a loss to the state. Tax rates are based upon the amount of benefits paid during the fiscal year regardless of whether the benefits are charged or not charged to an employer.

Contact: Andi Bridgmon, UI Director

Anticipated Completion Date: N/A

MILITARY DEPARTMENT

Finding 2020-062

Program: CFDA 12.401 – National Guard Military Operations and Maintenance (O&M) Projects – Cash Management

Corrective Action Plan: The Agency will work with the agents of the Cash Management Improvement Act agreement between the State of Nebraska and the Secretary of the Treasury, United States Department of the Treasury, that is, the State Treasurer, the State Director of Administrative Services and the Assistant Commissioner, Revenue Collections Management Bureau of the Fiscal Service, U.S. Department of the Treasury, to seek a modification to the agreement which acknowledges National Guard Bureau Regulation 5-1 as the governing document for drawdown of federal funds and their disbursement for program purposes.

Contact: Daryl Bohac, Director

Anticipated Completion Date: July 2021

Finding 2020-063

Program: CFDA 21.019 – Coronavirus Relief Fund (CRF) – Allowability

Corrective Action Plan: The overtime formula correction as well as the salary versus hourly costs for temporary medical staff will be highlighted in our on-going review of costs and supporting documentation.

Contact: Daryl Bohac, Director

Anticipated Completion Date: February 15, 2022

DEPARTMENT OF TRANSPORTATION

Finding 2020-064

Program: 20.205 – Highway Planning and Construction – Reporting

Corrective Action Plan: NDOT does recognize that improvements could be made to the internal financial systems and processes. In fact, NDOT will soon conclude a Financial Systems Modernization project Fit/Gap Assessment working with DAS State Accounting and the OCIO. The Fit/Gap Assessment is evaluating the feasibility of NDOT using EnterpriseOne directly for entry of accounts payable and replacing RPS, the existing mainframe-based legacy system. FHWA have been invited to participate in the modernization effort. In the near term, NDOT has also begun scoping for new development within the Project Finance System that will allow data needed for the reconciliation that is requested to be provided much more timely.

Contact: Lyn Heaton, Jenessa Boynton

Anticipated Completion Date: Ongoing

Finding 2020-065

Program: 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 with a concentration on payroll documents. Documentation will be kept on site and provided to auditors upon request.

Contact: Marisue Wagner

Anticipated Completion Date: Completed

Finding 2020-066

Program: CFDA 20.509 – Formula Grants for Rural Areas; 20.509 – COVID-19 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.

In FY20 NDOT requested documentation to support cost allocations. The documentation typically includes a floor plan of the structure where transit offices are located, and the amount of square footage occupied by program staff. Questions regarding cost allocation have also been added to our compliance review questionnaire.

More detailed payroll documentation will be requested during desktop reviews. Spreadsheets submitted to document employees, hours worked, employer costs, etc., will no longer be accepted as sole documentation to verify payroll expenses.

Contact: Linda Langdale, Ken Rouch, George Gallardo, Marisue Wagner

Anticipated Completion Date: Ongoing

STATE OF NEBRASKA
Summary Schedule of Prior Audit Findings

FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

Finding #	State Agency/Finding	Status of Finding/Agency Comments
2019-001 Since 2007	Administrative Services CAFR Preparation	**Status:** On-going **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:** An additional position has been added to the financial reporting team and State Accounting will continue BUG (Business User Group) meetings for training on specific topics **Corrective Action Planned:** State Accounting will continue implementing new processes and training for existing staff as well as State agency personnel providing information for the CAFR process
2019-002	Administrative Services Capital Asset Issues	**Status:** On-going **Reasons for Recurrence:** Turnover and training both in the financial reporting team and in the agencies who enter fixed asset information into the system **Partial Corrective Action Taken:** State Accounting has been working individually with agencies on fixed asset procedures **Corrective Action Planned:** State Accounting will continue to provide individual training to agencies as needed and present training on specific topics at the BUG meetings
2019-003	Administrative Services Lack of Financial Statement Reconciliation	**Status:** On-going **Partial Corrective Action Taken:** State Accounting has started looking at possible procedures to complete a reconciliation of the SEFA to the financial statements **Corrective Action Planned:** State Accounting will review a possible reconciliation procedure with APA at our July 20, 2020 CAFR planning meeting
2019-004	Education Improper Payables	**Status:** Completed
2019-005 Since 2004	Health & Human Services Material Adjustments	**Status:** Completed
2019-006	Health & Human Services Subrecipient Monitoring	**Status:** Ongoing **Partial Corrective Action Taken:** Expense reviews for the $2.2 million in question are being conducted in FY20.

Finding #	State Agency/Finding	Status of Finding/Agency Comments
2019-007	Health & Human Services Capital Asset Issues	**Status:** Ongoing **Reasons for Recurrence:** Staff turnover – new staff responsible for asset management. **Corrective Action Planned:** 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.
2019-008 Since 2018	Health & Human Services Program 354 – Child Welfare Aid	**Status:** Complete
2019-009	Health & Human Services Medicaid Holding Fund	**Status:** Ongoing **Corrective Action Planned:** 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.
2019-010	Health & Human Services NFOCUS User Access	**Status:** Complete
2019-011 Since 2015	Health & Human Services Overpayment Mailbox	**Status:** Complete
2019-012	Health & Human Services Lack of Internal Controls Over Program 262	**Status:** Ongoing **Corrective Action Planned:** 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.
2019-013	Health & Human Services UNMC Medical Education Revolving Fund	**Status:** Not complete **Partial Corrective Action Taken:** The department is examining options including a legislative change. **Corrective Action Planned:** Going forward, the Department will comply with Neb Stat 85-134.
2019-014	Health & Human Services External NFOCUS User Access	**Status:** Complete

Finding #	State Agency/Finding	Status of Finding/Agency Comments
2019-015	Revenue Lack of Supporting Documentation for Tax Incentive Payments	**Status:** Completed
2019-016	Transportation Federal Activity Recorded in Cash Funds	**Status:** NDOT has conferred with DAS State Accounting Division personnel on numerous occasions and they agree that 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.

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
2019-017 Since 2015	Various, 93.778 Allowable Costs	**Status:** Completed
2019-018 Since 2015	Various, 93.767 Reporting	**Status:** Completed

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:** same as previous year **Corrective Action Taken:** Since 2017, the department has made significant progress to resolve the subrecipient monitoring backlog; performing Revolving Loan Fund monitoring activities has also resulted in a reduction to the number of subrecipients and, therefore, department caseload. Additionally, monitoring of current open projects is occurring according to federal requirements. The team meets monthly to discuss, review, and track the status of monitoring conducted.
2017-013	14.228 Allowability/ Reporting/ Subrecipient Monitoring	**Status:** In Process **Reasons for Recurrence:** same as previous year **Corrective Action Taken:** Procedures have been developed and implemented for CDBG monitoring. The team meets monthly to discuss, review, and track the status of monitoring conducted. The department has conducted considerable monitoring activities since 2017 to clear the most dated grantee monitoring. While the pandemic continues to prevent on-site monitoring visits, the department has adapted by expanding desktop reviews, which it continues to perform.

Nebraska Department of Education

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2019-019	84.010 Subrecipient Monitoring/ Special Tests	**Status**: Completed

STATE OF NEBRASKA
Summary Schedule of Prior Audit Findings

Nebraska Department of Education (Concluded)

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2019-020 Since 2018	84.027 & 84.173 Allowability/ Subrecipient Monitoring	**Status:** In process **Reasons for Recurrence:** NDE has had to update our monitoring plan to meet requirements, hire and train a new team. **Partial Corrective Action Taken:** Fiscal Monitoring team has been hired and NDE is working with Auditors office to finalize a monitoring plan to satisfy requirements. **Corrective Action Planned:** 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
2019-021	84.027 & 84.173 Earmarking	**Status:** Completed
2019-022 Since 2017	84.126 Allowability	**Status:** Completed
2019-023 Since 2017	84.126 Eligibility	**Status:** Completed
2019-024	84.287 Allowability/ Subrecipient Monitoring	**Status:** In Process **Corrective Action Planned:** 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
2019-025	84.287 Special Tests	**Status:** Per conversations with the U.S. Department of Education we do not believe any corrective action is needed.
2019-026 Since 2017	84.367 Allowability/ Subrecipient Monitoring	**Status:** In process **Reasons for Recurrence:** NDE has had to update our monitoring plan to meet requirements, hire and train a new team. **Partial Corrective Action Taken:** Fiscal Monitoring team has been hired and NDE is working with Auditors office to finalize a monitoring plan to satisfy requirements. **Corrective Action Planned:** 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.

Nebraska Department of Health and Human Services

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2019-027 Since 2015	Various, 93.658 Allowable Costs	**Status:** Complete
2019-028 Since 2013	Various, 93.558, 93.575, 93.658, 93.667, 93.778 Allowable Costs	**Status:** Partially complete **Corrective Action Planned:** 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. Complete. 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 9/30/2020. Procedural piece is complete. 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 9/30/2020. Procedural piece is complete. 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 9/30/2020. Procedural piece is complete. RMTS Child Protection and Safety Services: Corrective adjustment by reported QE 9/30/20. 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. Complete NFOCUS Applications: Agency will ensure that they receive the point in time report to supplement the statistic effective the 9/30/19 quarter. Complete.

Nebraska Department of Health and Human Services (Continued)

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2019-029 Since 2018	Various, 93.575, 93.778 Allowable Costs	**Status:** Not complete **Corrective Action Planned:** Incorporate and distribute the results of the process improvement project.
2019-030 Since 2018	10.557 Allowability/ Subrecipient Monitoring	**Status:** Partially complete **Partial Corrective Action Taken:** 05/15/20 - Update provided from the assigned contact that they are in contact with the USDA Regional Office to develop financial review forms. The anticipated completion date is still 09/30/20 I will follow up on 08/10/20 to check-in on progress. 07/06/20 - A written process has been created and has been sent to USDA for review. Anticipated completion date is still 09/30/20 **Corrective Action Planned:** 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.
2019-031 Since 2010	93.044, 93.045 Allowability/ Subrecipient Monitoring	**Status:** Complete
2019-032 Since 2014	93.069, 93.889 Allowability/ Subrecipient Monitoring	**Status:** Partially complete **Partial Corrective Action Taken:** The procedures have been updated and a federal aid administrator has been hired to oversee the process. **Corrective Action Planned:** 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.
2019-033 Since 2015	93.217 Allowability/ Subrecipient Monitoring	**Status:** Complete

Nebraska Department of Health and Human Services (Continued)

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2019-034 Since 2018	93.556, 93.671 Subrecipient Monitoring	**Status:** Complete
2019-035	93.558 Allowability/Eligibility	**Status:** Partially complete **Partial Corrective Action Taken:** Standard procedures created and reviewed with staff of how to prevent future errors. A request has been sent to IS&T to update NFOCUS. These actions should help mitigate future errors. **Corrective Action Planned:** 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
2019-036	93.558 Allowability	**Status:** Not complete **Corrective Action Planned:** 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. Again, 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.

Nebraska Department of Health and Human Services (Continued)

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2019-037 Since 2013	93.558 Allowability/ Subrecipient Monitoring/ Reporting	**Status:** Partially complete **Corrective Action Planned:** The Agency will seek additional training and guidance for financial subreceipient 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.
2019-038	93.558 Reporting	**Status:** Partially complete **Corrective Action Planned:** 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.
2019-039 Since 2018	93.568 Reporting	**Status:** Complete
2019-040 Since 2007	93.575, 93.596 Allowability/ Eligibility	**Status:** Partially complete **Partial Corrective Action Taken:** All steps but online portal are complete. **Corrective Action Planned:** With regards to 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.

Nebraska Department of Health and Human Services (Continued)

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
		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. With regards to 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 child care 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.
2019-041	93.575, 93.596 Allowability	**Status:** Complete
2019-042 Since 2017	93.575, 93.596 Special Tests	**Status:** Not complete **Corrective Action Planned:** DHHS will work with the SFM to identify all delegated authorities that will do fire inspections. DHHS will request that the SFM add a delegated authority in Kearney. Through the SFM, DHHS will have further communication with the delegated authorities to clarify the expectations and timeframes for fire inspections in child care programs. Through the SFM, DHHS will pursue development of an updated agreement with the delegated authorities to clarify expectations and timeframes for fire inspections in child care programs. DHHS will work with the DPH Environmental Health Unit to identify all delegated authorities that will do sanitation inspections. Through the DPH Environmental Health Unit, DHHS will have further communication with the delegated authorities to clarify the expectations and timeframes for sanitation inspections in child care programs. Through the DPH Environmental Health Unit, DHHS will pursue development of an updated agreement with the delegated authorities to clarify expectations and timeframes for sanitation inspections in child care programs.

Nebraska Department of Health and Human Services (Continued)

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
		DHHS has updated its policy for fire and sanitation referrals to require Staff Assistants to make monthly referrals for fire and sanitation inspections of child care programs due for inspection within 60 days, within 30 days, and within 10 days. The 10-day referrals will involve Child Care Licensing Supervisors contacting the fire and/or sanitation inspectors. DHHS will retrain Child Care Inspection Specialists (CCIS) to ensure inspection checklists are completed accurately and entirely. All checklist items will be addressed by a CCIS at least once annually - if the first inspection of the year does not cover all checklist items, those items will be addressed and documented by the CCIS on the second inspection of the year.
2019-043 Since 2017	93.575 Allowability/ Period of Performance/ Subrecipient Monitoring	**Status:** Partially complete **Corrective Action Planned:** This sub award 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 time frame 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.
2019-044 Since 2016	93.575 Earmarking/ Period of Performance	**Status:** Partially complete **Partial Corrective Action Taken:** Discussions with ACF have taken place but a final determination has not been made. **Corrective Action Planned:** DHHS will work with ACF to determine if reports need to be revised or if any dollars need to be returned.
2019-045 Since 2016	93.658 Subrecipient Monitoring	**Status:** Complete
2019-046 Since 2018	93.658 Reporting	**Status:** Complete
2019-047	93.658 Allowability	**Status:** Complete

Nebraska Department of Health and Human Services (Continued)

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2019-048	93.667 Period of Performance	**Status:** Partially complete **Partial Corrective Action Taken:** Discussions with ACF have taken place but a final determination has not been made. **Corrective Action Planned:** DHHS will work with their Federal Partners to determine if questioned costs can be replaced with allowable claims or will need to be returned.
2019-049	93.667 Allowability	**Status:** Partially complete **Partial Corrective Action Taken:** Planned CAP is completed but signatures cannot be obtained while the current pandemic is ongoing so this CAP is considered partially complete until the pandemic is declared over. **Corrective Action Planned:** 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.
2019-050 Since 2006	93.778 Reporting	**Status:** Complete
2019-051 Since 2014	93.778 Allowability	**Status:** Not complete **Corrective Action Planned:** 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.

Nebraska Department of Health and Human Services (Continued)

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2019-052 Since 2015	93.778 Allowability	**Status:** Not complete **Corrective Action Planned:** On July 1st, 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.
2018-050 Since 2016	93.778 Allowability	**Status:** Complete
2019-053 Since 2017	93.778 Allowability/ Eligibility	**Status:** Complete
2019-054 Since 2017	93.778 Special Tests	**Status:** Complete
2019-055 Since 2017	93.778 Allowability	**Status:** Not complete **Corrective Action Planned:** The agency will document procedures needed to support regional center depreciation calculations.
2018-054	93.778 Special Tests	**Status:** Complete
2019-056 Since 2018	93.778 Subrecipient Monitoring	**Status:** Complete
2019-057	93.778 Allowability/ Eligibility	**Status:** Complete
2019-058	93.778 Special Tests	**Status:** Complete

Nebraska Department of Health and Human Services (Continued)

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2019-059	93.778 Special Tests	**Status:** Complete
2019-060 Since 2011	93.778 Special Tests	**Status:** Not complete **Corrective Action Planned:** Additional staff resources would be helpful for investigating fraud, waste, abuse, and erroneous payments
2019-061 Since 2018	93.898 Allowability/ Subrecipient Monitoring	**Status:** Partially complete **Corrective Action Planned:** 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
2019-062 Since 2017	93.917 Allowability/ Cash Management/ Eligibility/ Subrecipient Monitoring	**Status:** Partially complete **Corrective Action Planned:** Agency will continue to follow and improve upon items noted above. • 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 specific service and cost category and are closely reviewed by program staff for allowability and allocability. • Rebate funds are being utilized prior to the draw down 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.

Nebraska Department of Health and Human Services (Concluded)

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2019-063 Since 2018	93.917 Reporting	**Status:** Complete
2019-064 Since 2017	93.945 Allowable Costs/ Subrecipient Monitoring	**Status:** Complete

Nebraska Commission on Law Enforcement and Criminal Justice

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2019-065 Since 2018	16.575 Allowability/ Subrecipient Monitoring	**Status:** Complete
2019-066 Since 2018	16.575 Cash Management	**Status:** Ongoing **Partial Corrective Action Taken:** We are currently in the process of transitioning all federal grants to DAS Accounting to complete federal drawdowns through the Delay of Draw System
2019-067 Since 2018	16.575 Reporting	**Status:** Ongoing **Corrective Action Planned:** The Director of Federal Grants and Programs will review all Federal Financial Reports for accuracy and ensure the reports are completed prior to the submission date

Nebraska Military Department

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2019-068	12.401 Cash Management	**Status:** On-going **Corrective Action Planned:** 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.

STATE OF NEBRASKA
Summary Schedule of Prior Audit Findings

Nebraska Department of Transportation

Finding#	CFDA/Compliance	Status of Finding/Agency Comments
2019-069	20.205 Reporting	**Status:** On-going **Corrective Action Planned:** NDOT is continuing to work with a consultant on developing a financial systems modernization roadmap.
2019-070 Since 2018	20.505 Allowability/ Subrecipient Monitoring	**Status:** Completed
2019-071 Since 2013	20.509 Allowability/ Subrecipient Monitoring	**Status:** Completed
2019-072 Since 2018	20.600, 20.616 Allowability/ Subrecipient Monitoring	**Status:** Completed
2019-073 Since 2018	20.600 Earmarking	**Status:** Completed