STATE OF NEBRASKA

STATEWIDE SINGLE AUDIT

Year Ended June 30, 2023

Issued on March 20, 2024

STATE OF NEBRASKA
Single Audit Report
Year Ended June 30, 2023

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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, 2023

Federal Agency/Program Title	State Agency	AL or Grant #	2023 Expenditures	2023 Subrecipients
Agriculture, U.S. Department of				
Plant and Animal Disease, Pest Control, and Animal Care	Agriculture, Department of	10.025	$ 1,029,497	-
Wetlands Reserve Program	Game and Parks Commission	10.072	15,547	-
Voluntary Public Access and Habitat Incentive	Game and Parks Commission	10.093	1,129,036	1,129,036
Specialty Crop Block Grant Program - Farm Bill	Agriculture, Department of	10.170	1,297,137	1,250,174
State Mediation Grants	Agriculture, Department of	10.435	151,395	-
Meat, Poultry, and Egg Products Inspection	Agriculture, Department of	10.477	12,000	-
Farm and Ranch Stress Assistance Network Competitive Grants Program	Agriculture, Department of	10.525	236,064	233,197
Child Nutrition-Technology Innovation	Education, Department of	10.541	379,057	-
COVID-19 Pandemic EBT Food Benefits	Health and Human Services, Department of	10.542	76,556,107	-
SNAP Cluster:				
Supplemental Nutrition Assistance Program	Health and Human Services, Department of	10.551	314,946,981	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Health and Human Services, Department of	10.561	25,704,316	1,854,617
COVID-19 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Health and Human Services, Department of	10.561	1,161,860	-
Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Health and Human Services, Department of		26,866,176	1,854,617
Total SNAP Cluster			341,813,157	1,854,617
Child Nutrition Cluster:				
School Breakfast Program	Education, Department of	10.553	26,436,714	26,436,714
National School Lunch Program	Education, Department of	10.555	117,928,818	117,928,818
National School Lunch Program	Health and Human Services, Department of	10.555	18,831,900	-
Total National School Lunch Program			136,760,718	117,928,818
Special Milk Program for Children	Education, Department of	10.556	41,349	41,349
Summer Food Service Program for Children	Education, Department of	10.559	2,312,576	2,266,344
Fresh Fruit and Vegetable Program	Education, Department of	10.582	2,259,332	2,223,368
Total Child Nutrition Cluster			167,810,689	148,896,593
Special Supplemental Nutrition Program for Women, Infants, and Children	Health and Human Services, Department of	10.557	31,758,397	10,712,101
Child and Adult Care Food Program	Education, Department of	10.558	30,305,031	30,020,576
Child and Adult Care Food Program	Health and Human Services, Department of	10.558	207,250	-
Total Child and Adult Care Food Program			30,512,281	30,020,576
State Administrative Expenses for Child Nutrition	Education, Department of	10.560	2,234,813	-
State Administrative Expenses for Child Nutrition	Health and Human Services, Department of	10.560	936,822	-
Total State Administrative Expenses for Child Nutrition			3,171,635	-

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

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Agriculture, U.S. Department of (Continued)					
Food Distribution Cluster:					
Commodity Supplemental Food Program	Health and Human Services, Department of	10.565		2,561,188	639,191
Emergency Food Assistance Program (Administrative Costs)	Health and Human Services, Department of	10.568		717,293	717,293
COVID-19 Emergency Food Assistance Program (Administrative Costs)	Health and Human Services, Department of	10.568		532,946	532,946
Total Emergency Food Assistance Program (Administrative Costs)				1,250,239	1,250,239
Emergency Food Assistance Program (Food Commodities)	Health and Human Services, Department of	10.569		4,838,061	-
Total Food Distribution Cluster				8,649,488	1,889,430
WIC Farmers' Market Nutrition Program (FMNP)	Agriculture, Department of	10.572		56,197	-
Team Nutrition Grants	Education, Department of	10.574		136,101	16,488
Farm to School Grant Program	Education, Department of	10.575		58,272	9,500
Senior Farmers Market Nutrition Program	Agriculture, Department of	10.576		197,177	-
WIC Grants To States (WGS)	Health and Human Services, Department of	10.578		159,288	-
Child Nutrition Discretionary Grants Limited Availability	Education, Department of	10.579		377,253	377,253
Emerging Markets Program	Agriculture, Department of	10.603		24,035	-
Farm to School State Formula Grant	Education, Department of	10.645		1,310	-
COVID-19 Pandemic EBT Administrative Costs	Health and Human Services, Department of	10.649		714,545	-
Forest Service Schools and Roads Cluster:					
Schools and Roads - Grants to Counties	Education, Department of	10.666		171,657	171,657
Agriculture Conservation Easement Program	Game and Parks Commission	10.931		22,236	-
Regional Conservation Partnership Program	Game and Parks Commission	10.932		12,233	12,233
Nebraska Rural Rehabilitation Program	Agriculture, Department of	10.U01		192,077	-
Hazardous Waste Management	Environment and Energy, Department Of	10.U02		32,274	-
Total U.S. Department of Agriculture			$	666,676,142	196,572,855
Commerce, U.S. Department of					
State Digital Equity Planning Grants	Administrative Services, Department of	11.032	$	124,158	124,158
Economic Development Cluster:					
Economic Adjustment Assistance	Economic Development, Department of	11.307		301,372	-
Economic Adjustment Assistance	Nebraska Tourism Commission	11.307		29,941	-
Total Economic Development Cluster				331,313	-
Total U.S. Department of Commerce			$	455,471	124,158

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Schedule of Expenditures of Federal Awards - By Federal Agency
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Federal Agency/Program Title	State Agency	AL or Grant #		2023 Expenditures	2023 Subrecipients
Corporation for National and Community Service					
AmeriCorps State Commissions Support Grant	Health and Human Services, Department of	94.003	$	380,950	-
AmeriCorps State and National	Health and Human Services, Department of	94.006		1,537,405	1,524,953
Training and Technical Assistance	Health and Human Services, Department of	94.009		111,347	-
Total Corporation for National and Community Service			$	2,029,702	1,524,953
Defense, U.S. Department of					
Payments to States in Lieu of Real Estate Taxes	Education, Department of	12.112	$	103,517	103,517
State Memorandum of Agreement Program for the Reimbursement of Technical Services	Environment and Energy, Department of	12.113		97,113	-
Military Construction, National Guard	Military Department	12.400		17,915,612	-
National Guard Military Operations and Maintenance (O&M) Projects	Military Department	12.401		34,942,541	-
Total U.S. Department of Defense			$	53,058,783	103,517
Education, U.S. Department of					
Adult Education - Basic Grants to States	Education, Department of	84.002	$	3,676,708	3,364,587
Title I Grants to Local Educational Agencies	Education, Department of	84.010		59,346,652	58,466,004
Migrant Education State Grant Program	Education, Department of	84.011		9,653,857	9,339,606
Title I State Agency Program for Neglected and Delinquent Children and Youth	Education, Department of	84.013		560,547	558,551
Special Education Cluster (IDEA):					
Special Education Grants to States	Education, Department of	84.027		77,050,785	73,120,105
COVID-19 Special Education Grants to States	Education, Department of	84.027		8,127,331	8,127,331
Total Special Education Grants to States				85,178,116	81,247,436
Special Education Preschool Grants	Education, Department of	84.173		2,129,580	1,850,412
COVID-19 Special Education Preschool Grants	Education, Department of	84.173		550,432	550,432
Total Special Education Preschool Grants				2,680,012	2,400,844
Total Special Education Cluster (IDEA)				87,858,128	83,648,280
Career and Technical Education -- Basic Grants to States	Education, Department of	84.048		7,763,647	6,476,703
Career and Technical Education -- National Programs	Education, Department of	84.051		135,530	-
Rehabilitation Services Vocational Rehabilitation Grants to States	Blind and Visually Impaired Commission	84.126		2,642,780	-
Rehabilitation Services Vocational Rehabilitation Grants to States	Education, Department of	84.126		14,184,281	-
Total Rehabilitation Services Vocational Rehabilitation Grants to States				16,827,061	-
Migrant Education Coordination Program	Education, Department of	84.144		127,810	36,000
Rehabilitation Services Client Assistance Program	Education, Department of	84.161		89,937	-
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	Blind and Visually Impaired Commission	84.177		563,428	-

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Federal Agency/Program Title	State Agency	AL or Grant #	2023 Expenditures	2023 Subrecipients
Education, U.S. Department of (Continued)				
Special Education-Grants for Infants and Families	Education, Department of	84.181	2,950,886	2,193,400
COVID-19 Special Education-Grants for Infants and Families	Education, Department of	84.181	448,944	373,837
Total Special Education-Grants for Infants and Families			3,399,830	2,567,237
School Safety National Activities	Education, Department of	84.184	591,411	-
Supported Employment Services for Individuals with the Most Significant Disabilities	Blind and Visually Impaired Commission	84.187	35,328	-
Supported Employment Services for Individuals with the Most Significant Disabilities	Education, Department of	84.187	540,000	-
Total Supported Employment Services for Individuals with the Most Significant Disabilities			575,328	-
Education for Homeless Children and Youth	Education, Department of	84.196	413,270	327,422
Twenty-First Century Community Learning Centers	Education, Department of	84.287	6,209,943	5,858,191
Statewide Family Engagement Centers	Education, Department of	84.310	2,274	-
Special Education - State Personnel Development	Education, Department of	84.323	346,796	67,439
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	Education, Department of	84.325	220,519	196,047
Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	Education, Department of	84.326	72,814	63,210
Rural Education	Education, Department of	84.358	1,234	-
English Language Acquisition State Grants	Education, Department of	84.365	3,922,589	3,666,982
Supporting Effective Instruction State Grant	Education, Department of	84.367	9,165,069	8,486,982
Competitive Grants for State Assessments	Education, Department of	84.368	1,685,994	-
Grants for State Assessments and Related Activities	Education, Department of	84.369	6,810,733	-
Statewide Longitudinal Data Systems	Education, Department of	84.372	1,067,669	-
School Improvement Grants	Education, Department of	84.377	54,773	54,773
Disability Innovation Fund	Education, Department of	84.421	1,242,711	-
Student Support and Academic Enrichment Program	Education, Department of	84.424	5,197,672	4,912,774
Student Support and Academic Enrichment Program - Stronger Connections Grant (SCG) Program	Education, Department of	84.424F	310	-
COVID-19 Education Stabilization Fund - Governor's Emergency Education Relief Fund (GEER II)	Labor, Department of	84.425C	256,757	215,607
COVID-19 Education Stabilization Fund - Governor's Emergency Education Relief Fund (GEER I)	Education, Department of	84.425C	4,349,949	-
COVID-19 Education Stabilization Fund - Elementary and Secondary School Emergency Relief Fund (ESSER I)	Education, Department of	84.425D	4,841,280	3,914,972
COVID-19 Education Stabilization Fund - Elementary and Secondary School Emergency Relief Fund (ESSER II)	Education, Department of	84.425D	89,826,328	88,263,229

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Education, U.S. Department of (Continued)					
COVID-19 Education Stabilization Fund - Coronavirus Response and Relief Supplemental Appropriations Act, 2021 - Emergency Assistance for Non-Public Schools (CRRSA EANS)	Education, Department of	84.425R		3,508,843	-
COVID-19 Education Stabilization Fund - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	Education, Department of	84.425U		103,267,188	91,553,816
COVID-19 Education Stabilization Fund - American Rescue Plan - Emergency Assistance to Non-Public Schools (ARP EANS)	Education, Department of	84.425V		8,139,150	-
COVID-19 Education Stabilization Fund - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP HCY)	Education, Department of	84.425W		534,248	323,643
Total Education Stabilization Fund				214,723,743	184,271,267
Total U.S. Department of Education			$	442,307,987	372,362,055
Election Assistance Commission, U.S.					
2018 HAVA Election Security Grants	Secretary of State	90.404	$	753,903	104,306
Total U.S. Election Assistance Commission			$	753,903	104,306
Energy, U.S. Department of					
State Energy Program	Environment and Energy, Department of	81.041	$	540,173	-
Weatherization Assistance for Low-Income Persons	Environment and Energy, Department of	81.042		2,864,418	2,489,801
State Heating Oil and Propane Program	Environment and Energy, Department of	81.138		5,086	-
Total U.S. Department of Energy			$	3,409,677	2,489,801
Environmental Protection Agency, U.S.					
State Indoor Radon Grants	Health and Human Services, Department of	66.032	$	162,061	41,588
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	Environment and Energy, Department of	66.034		266,067	-
Diesel Emissions Reduction Act (DERA) State Grants	Environment and Energy, Department of	66.040		473,261	-
Multipurpose Grant to States and Tribe	Oil and Gas Commission	66.204		6,506	-
Multipurpose Grant to States and Tribe	Game and Parks Commission	66.204		1,241	-
Total Multipurpose Grant to States and Tribe				7,747	-
Water Pollution Control State, Interstate, and Tribal Program Support	Environment and Energy, Department of	66.419		405,179	-
State Public Water System Supervision	Environment and Energy, Department of	66.432		822,136	-
State Underground Water Source Protection	Oil and Gas Commission	66.433		71,952	-
Water Infrastructure Improvements for the Nation Small and Underserved Communities Emerging Contaminants Grant Program	Environment and Energy, Department of	66.442		194,450	-
Voluntary School and Child Care Lead Testing and Reduction Grant Program (SDWA 1464(d))	Environment and Energy, Department of	66.444		77,472	-

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Environmental Protection Agency, U.S. (Continued)					
Water Quality Management Planning	Environment and Energy, Department of	66.454		100,168	-
Clean Water State Revolving Fund Cluster:					
Capitalization Grants for Clean Water State Revolving Funds	Environment and Energy, Department of	66.458		15,519,538	15,519,288
Nonpoint Source Implementation Grants	Environment and Energy, Department of	66.460		2,499,562	-
Regional Wetland Program Development Grants	Game and Parks Commission	66.461		142,638	112,061
Drinking Water State Revolving Fund Cluster:					
Capitalization Grants for Drinking Water State Revolving Funds	Environment and Energy, Department of	66.468		15,664,617	13,578,562
Underground Storage Tank Prevention, Detection and Compliance Program	Fire Marshal	66.804		396,702	-
Performance Partnership Grants	Agriculture, Department of	66.605		594,379	-
Performance Partnership Grants	Environment and Energy, Department of	66.605		4,692,484	-
Performance Partnership Grants	Health and Human Services, Department of	66.605		177,935	-
Total Performance Partnership Grants				5,464,798	-
Environmental Information Exchange Network Grant Program and Related Assistance	Fire Marshal	66.608		6,094	-
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	Environment and Energy, Department of	66.802		323,244	-
Leaking Underground Storage Tank Trust Fund Corrective Action Program	Environment and Energy, Department of	66.805		712,383	-
State and Tribal Response Program Grants	Environment and Energy, Department of	66.817		593,639	-
Total U.S. Environmental Protection Agency			$	43,903,708	29,251,499
Equal Employment Opportunity Commission, U.S.					
Employment Discrimination_State and Local Fair Employment Practices Agency Contracts	Equal Opportunity Commission	30.001	$	530,241	-
Total U.S. Equal Employment Opportunity Commission			$	530,241	-
Federal Communications Commission					
FCC - Certification	Education, Department of	32.U01	$	31,570	-
Total Federal Communications Commission			$	31,570	-
General Services Administration					
Donation of Federal Surplus Personal Property	Corrections, Department of	39.003	$	620,724	-
Total General Services Administration			$	620,724	-

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Federal Agency/Program Title	State Agency	AL or Grant #		2023 Expenditures	2023 Subrecipients
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	Health and Human Services, Department of	93.041	$	28,459	-
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	Health and Human Services, Department of	93.042		98,773	98,773
COVID-19 Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	Health and Human Services, Department of	93.042		42,357	7,757
Total Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals				141,130	106,530
Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	Health and Human Services, Department of	93.043		125,027	125,027
COVID-19 Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	Health and Human Services, Department of	93.043		8,478	8,478
Total Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services				133,505	133,505
Aging Cluster:					
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	Health and Human Services, Department of	93.044		2,109,520	1,542,658
COVID-19 Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	Health and Human Services, Department of	93.044		805,513	805,513
Total Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers				2,915,033	2,348,171
Special Programs for the Aging_Title III, Part C_Nutrition Services	Health and Human Services, Department of	93.045		4,139,490	4,098,879
COVID-19 Special Programs for the Aging_Title III, Part C_Nutrition Services	Health and Human Services, Department of	93.045		1,711,972	1,711,972
Total Special Programs for the Aging_Title III, Part C_Nutrition Services				5,851,462	5,810,851
Nutrition Services Incentive Program	Health and Human Services, Department of	93.053		1,062,762	1,062,762
Total Aging Cluster				9,829,257	9,221,784
Special Programs for the Aging_Title IV_and Title II_Discretionary Projects	Insurance, Department of	93.048		298,065	172,170
COVID-19 Special Programs for the Aging - Title IV and Title II - Discretionary Projects	Health and Human Services, Department of	93.048		35,199	35,199
Total Special Programs for the Aging_Title IV_and Title II_Discretionary Projects				333,264	207,369
National Family Caregiver Support, Title III, Part E	Health and Human Services, Department of	93.052		830,378	742,898
COVID-19 National Family Caregiver Support, Title III, Part E	Health and Human Services, Department of	93.052		164,700	164,700
Total National Family Caregiver Support, Title III, Part E				995,078	907,598

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Health and Human Services, U.S. Department of (Continued)					
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Cluster:					
Public Health Emergency Preparedness	Health and Human Services, Department of	93.069		5,049,895	4,425,946
National Bioterrorism Hospital Preparedness Program	Health and Human Services, Department of	93.889		1,132,040	927,139
COVID-19 National Bioterrorism Hospital Preparedness Program	Health and Human Services, Department of	93.889		1,582,297	-
Total National Bioterrorism Hospital Preparedness Program				2,714,337	927,139
Total Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Cluster				7,764,232	5,353,085
Environmental Public Health and Emergency Response	Health and Human Services, Department of	93.070		54,923	45,983
Medicare Enrollment Assistance Program	Insurance, Department of	93.071		258,728	93,931
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	Education, Department of	93.079		137,162	-
Guardianship Assistance	Health and Human Services, Department of	93.090	^	297,768	-
COVID-19 Guardianship Assistance	Health and Human Services, Department of	93.090		22,563	-
Total Guardianship Assistance				320,331	-
Affordable Care Act (ACA) Personal Responsibility Education Program	Health and Human Services, Department of	93.092		322,737	249,449
Food and Drug Administration_Research	Agriculture, Department of	93.103		585,438	-
Food and Drug Administration_Research	Environment and Energy, Department of	93.103		2,427	-
Total Food and Drug Administration_Research				587,865	-
Maternal and Child Health Federal Consolidated Programs	Health and Human Services, Department of	93.110		424,685	311,213
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	Health and Human Services, Department of	93.116		283,800	-
Emergency Medical Services for Children	Health and Human Services, Department of	93.127		103,418	-
Injury Prevention and Control Research and State and Community Based Programs	Health and Human Services, Department of	93.136		4,075,943	1,538,227
Projects for Assistance in Transition from Homelessness (PATH)	Health and Human Services, Department of	93.150		352,343	340,370
COVID-19 Rural Health Research Centers	Health and Human Services, Department of	93.155		5,299,462	5,299,462
Grants to State for Loan Repayment Program	Health and Human Services, Department of	93.165		118,232	-
COVID-19 Grants to State for Loan Repayment Program	Health and Human Services, Department of	93.165		487,572	-
Total Grants to State for Loan Repayment Program				605,804	-
Childhood Lead Poisoning Prevention Project	Health and Human Services, Department of	93.197		398,188	162,946
Traumatic Brain Injury State Demonstration Grant Program	Education, Department of	93.234		184,309	-
COVID-19 Traumatic Brain Injury State Demonstration Grant Program	Education, Department of	93.234		14,830	-
Total Traumatic Brain Injury State Demonstration Grant Program				199,139	-
Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program	Health and Human Services, Department of	93.235		241,290	173,734
Grants to States to Support Oral Health Workforce Activities	Health and Human Services, Department of	93.236		11,753	-

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Health and Human Services, U.S. Department of (Continued)				
State Rural Hospital Flexibility Program	Health and Human Services, Department of	93.241	811,967	507,287
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	Education, Department of	93.243	2,768,115	280,150
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	Health and Human Services, Department of	93.243	4,215,098	3,432,621
Total Substance Abuse and Mental Health Services_Projects of Regional and National Significance			6,983,213	3,712,771
Early Hearing Detection and Intervention	Health and Human Services, Department of	93.251	159,115	66,590
Occupational Safety and Health Program	Health and Human Services, Department of	93.262	232,310	-
Immunization Cooperative Agreements	Health and Human Services, Department of	93.268	29,032,718	1,068,822
COVID-19 Immunization Cooperative Agreements	Health and Human Services, Department of	93.268	14,193,631	10,934,361
Total Immunization Cooperative Agreements			43,226,349	12,003,183
Viral Hepatitis Prevention and Control	Health and Human Services, Department of	93.270	65,365	-
Drug Abuse and Addiction Research Programs	Health and Human Services, Department of	93.279	52,280	-
Small Rural Hospital Improvement Grant Program	Health and Human Services, Department of	93.301	808,467	808,467
COVID-19 Small Rural Hospital Improvement Grant Program	Health and Human Services, Department of	93.301	(9,448)	(9,448)
Total Small Rural Hospital Improvement Grant Program			799,019	799,019
National State Based Tobacco Control Programs	Health and Human Services, Department of	93.305	(25,853)	-
National and State Tobacco Control Program	Health and Human Services, Department of	93.387	680,295	70,166
COVID-19 Activities to Support State, Tribal, Local and Territorial Health Department Response to Public Health or Healthcare Crises	Health and Human Services, Department of	93.391	14,107,777	11,658,934
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	Health and Human Services, Department of	93.314	110,581	-
Epidemiology & Laboratory Capacity for Infectious Diseases	Health and Human Services, Department of	93.323	2,126,097	745,137
COVID-19 Epidemiology & Laboratory Capacity for Infectious Diseases	Health and Human Services, Department of	93.323	22,442,027	10,830,767
Total Epidemiology & Laboratory Capacity for Infectious Diseases			24,568,124	11,575,904
State Health Insurance Assistance Program	Insurance, Department of	93.324	473,291	195,903
Behavioral Risk Factor Surveillance System	Health and Human Services, Department of	93.336	528,365	-
COVID-19 Behavioral Risk Factor Surveillance System	Health and Human Services, Department of	93.336	5,943	-
Total Behavioral Risk Factor Surveillance System			534,308	-
COVID-19 Public Health Crisis Response Awards	Health and Human Services, Department of	93.354	1,581,109	212,552
The State Flexibility to Stabilize the Market Grant Program	Insurance, Department of	93.413	182,331	-
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	Health and Human Services, Department of	93.421	7,762	-

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

Federal Agency/Program Title	State Agency	AL or Grant #		2023 Expenditures	2023 Subrecipients
Health and Human Services, U.S. Department of (Continued)					
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	Health and Human Services, Department of	93.426		898,462	521,373
ESSA/Preschool Development Grants	Health and Human Services, Department of	93.434		13,113,647	12,051,040
Innovative State and Local Public Health Strategies to Prevent and Manage Diabetes and Heart Disease and Stroke	Health and Human Services, Department of	93.435		151,460	-
Well-Integrated Screening and Evaluation for Women Across the Nation (Wisewoman)	Health and Human Services, Department of	93.436		513,038	124,687
ACL Assistive Technology	Education, Department of	93.464		532,403	-
COVID-19 Family Violence Prevention and Services/Sexual Assault/Rape Crisis Services and Supports	Health and Human Services, Department of	93.497		80,247	80,247
National Health Service Corps	Health and Human Services, Department of	93.547		143,995	-
Promoting Safe and Stable Families	Health and Human Services, Department of	93.556		1,546,590	1,050,735
COVID-19 Promoting Safe and Stable Families	Health and Human Services, Department of	93.556		119,343	119,343
Total Promoting Safe and Stable Families				1,665,933	1,170,078
Temporary Assistance for Needy Families	Health and Human Services, Department of	93.558		38,604,793	15,223,886
Child Support Enforcement	Health and Human Services, Department of	93.563	^	24,952,984	9,065,433
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	Health and Human Services, Department of	93.566	^	18,654,101	5,212,322
Low-Income Home Energy Assistance	Health and Human Services, Department of	93.568		33,472,475	-
COVID-19 Low-Income Home Energy Assistance	Health and Human Services, Department of	93.568		5,156,436	-
Low-Income Home Energy Assistance	Environment and Energy, Department of	93.568		2,861,862	2,780,394
Total Low-Income Home Energy Assistance				41,490,773	2,780,394
Community Services Block Grant	Health and Human Services, Department of	93.569		5,281,350	5,151,870
COVID-19 Community Services Block Grant	Health and Human Services, Department of	93.569		1,309,186	1,307,506
Total Community Services Block Grant				6,590,536	6,459,376
CCDF Cluster:					
Child Care and Development Block Grant	Health and Human Services, Department of	93.575		34,893,817	3,403,347
COVID-19 Child Care and Development Block Grant	Health and Human Services, Department of	93.575		127,028,096	2,167,646
Total Child Care and Development Block Grant				161,921,913	5,570,993
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Health and Human Services, Department of	93.596		21,184,880	-
Total CCDF Cluster				183,106,793	5,570,993
State Court Improvement Program	Supreme Court, Nebraska	93.586		428,075	-
COVID-19 State Court Improvement Program	Supreme Court, Nebraska	93.586		88,575	-
Total State Court Improvement Program				516,650	-

^ - 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
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Federal Agency/Program Title	State Agency	AL or Grant #		2023 Expenditures	2023 Subrecipients
Health and Human Services, U.S. Department of (Continued)					
Grants to States for Access and Visitation Programs	Health and Human Services, Department of	93.597		96,484	96,484
Chafee Education and Training Vouchers Program (ETV)	Health and Human Services, Department of	93.599		473,226	473,226
COVID-19 Chafee Education and Training Vouchers Program (ETV)	Health and Human Services, Department of	93.599		157,351	157,351
Total Chafee Education and Training Vouchers Program (ETV)				630,577	630,577
Head Start Cluster:					
Head Start	Education, Department of	93.600		133,458	5,000
Adoption and Legal Guardianship Incentive Payments	Health and Human Services, Department of	93.603		739,940	156,553
Developmental Disabilities Basic Support and Advocacy Grants	Health and Human Services, Department of	93.630		514,725	175,748
COVID-19 Developmental Disabilities Basic Support and Advocacy Grants	Health and Human Services, Department of	93.630		19,500	-
Total Developmental Disabilities Basic Support and Advocacy Grants				534,225	175,748
Children's Justice Grants to States	Health and Human Services, Department of	93.643		100,477	23,223
Stephanie Tubbs Jones Child Welfare Service Program	Health and Human Services, Department of	93.645		1,582,799	-
Foster Care Title IV-E	Health and Human Services, Department of	93.658	^	32,185,111	1,561,400
COVID-19 Foster Care Title IV-E	Health and Human Services, Department of	93.658		530,452	-
Total Foster Care Title IV-E				32,715,563	1,561,400
Adoption Assistance	Health and Human Services, Department of	93.659	^	23,275,141	-
COVID-19 Adoption Assistance	Health and Human Services, Department of	93.659		2,042,430	-
Total Adoption Assistance				25,317,571	-
COVID-19 Emergency Grants to Address Mental and Substance Use Orders during COVID-19	Health and Human Services, Department of	93.665		72,346	71,717
Social Services Block Grant	Health and Human Services, Department of	93.667		11,201,456	2,299,452
Child Abuse and Neglect State Grants	Health and Human Services, Department of	93.669		624,663	544,541
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	Health and Human Services, Department of	93.671		1,164,397	1,164,397
COVID-19 Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	Health and Human Services, Department of	93.671		382,548	382,548
Total Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services				1,546,945	1,546,945
John H. Chafee Foster Care Program for Successful Transition to Adulthood	Health and Human Services, Department of	93.674		1,144,459	881,373
COVID-19 John H. Chafee Foster Care Program for Successful Transition to Adulthood	Health and Human Services, Department of	93.674		1,009,863	989,856
Total John H. Chafee Foster Care Program for Successful Transition to Adulthood				2,154,322	1,871,229
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, Department of	93.734		70,609	29,000

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Federal Agency/Program Title	State Agency	AL or Grant #		2023 Expenditures	2023 Subrecipients
Health and Human Services, U.S. Department of (Continued)					
COVID-19 Elder Abuse Prevention Interventions Program	Health and Human Services, Department of	93.747		524,606	-
Children's Health Insurance Program	Health and Human Services, Department of	93.767	^	78,481,703	-
COVID-19 Children's Health Insurance Program	Health and Human Services, Department of	93.767		5,073,968	-
Total Children's Health Insurance Program				83,555,671	-
Medicaid Cluster:					
State Medicaid Fraud Control Units	Attorney General	93.775		1,182,723	-
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	Health and Human Services, Department of	93.777	^	4,288,694	-
COVID-19 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	Health and Human Services, Department of	93.777		2,178	-
Total State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare				4,290,872	-
Medical Assistance Program	Health and Human Services, Department of	93.778	^	2,532,722,982	11,007,687
COVID-19 Medical Assistance Program	Health and Human Services, Department of	93.778	^	169,035,556	1,083,752
Total Medical Assistance Program				2,701,758,538	12,091,439
Total Medicaid Cluster				2,707,232,133	12,091,439
Opioid STR	Health and Human Services, Department of	93.788		2,716,948	2,316,328
Organized Approaches to Increase Colorectal Cancer Screening	Health and Human Services, Department of	93.800		358,427	172,181
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	Health and Human Services, Department of	93.817		467,720	467,720
COVID-19 Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	Health and Human Services, Department of	93.817		187,662	187,662
Total Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities				655,382	655,382
Maternal, Infant, & Early Childhood Home Visiting Grant	Health and Human Services, Department of	93.870		1,207,593	1,026,240
COVID-19 Maternal, Infant, & Early Childhood Home Visiting Grant	Health and Human Services, Department of	93.870		151,828	147,260
Total Maternal, Infant, & Early Childhood Home Visiting Grant				1,359,421	1,173,500
Cancer Prevention & Control Programs for State, Territorial & Tribal Organization	Health and Human Services, Department of	93.898		2,204,582	492,855
Grants to States for Operation of State Offices of Rural Health	Health and Human Services, Department of	93.913		244,307	70,471
HIV Care Formula Grants	Health and Human Services, Department of	93.917		6,466,928	335,346
HIV Prevention Activities Health Department Based	Health and Human Services, Department of	93.940		892,339	302,346
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	Health and Human Services, Department of	93.946		202,492	-
Block Grants for Community Mental Health Services	Health and Human Services, Department of	93.958		2,668,319	2,435,573
COVID-19 Block Grants for Community Mental Health Services	Health and Human Services, Department of	93.958		832,562	521,801
Total Block Grants for Community Mental Health Services				3,500,881	2,957,374

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STATE OF NEBRASKA
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Federal Agency/Program Title	State Agency	AL or Grant #		2023 Expenditures	2023 Subrecipients
Health and Human Services, U.S. Department of (Continued)					
Block Grants for Prevention and Treatment of Substance Abuse	Health and Human Services, Department of	93.959		6,387,199	5,927,163
COVID-19 Block Grants for Prevention and Treatment of Substance Abuse	Health and Human Services, Department of	93.959		2,453,680	1,439,955
Total Block Grants for Prevention and Treatment of Substance Abuse				8,840,879	7,367,118
Centers for Disease Control and Prevention's Collaboration with Academia to Strengthen Public Health	Health and Human Services, Department of	93.967		31,363	-
COVID-19 Centers for Disease Control and Prevention's Collaboration with Academia to Strengthen Public Health	Health and Human Services, Department of	93.967		83,758	82,500
Total Centers for Disease Control and Prevention's Collaboration with Academia to Strengthen Public Health				115,121	82,500
Sexually Transmitted Diseases (STD) Prevention and Control Grants	Health and Human Services, Department of	93.977		348,802	17,709
COVID-19 Sexually Transmitted Diseases (STD) Prevention and Control Grants	Health and Human Services, Department of	93.977		1,124,995	1,095,271
Total Sexually Transmitted Diseases (STD) Prevention and Control Grants				1,473,797	1,112,980
Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools	Education, Department of	93.981		415,401	13,250
COVID-19 Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools	Education, Department of	93.981		180,743	93,570
Total Improving Student Health and Academic Achievement				596,144	106,820
Preventive Health and Health Services Block Grant	Health and Human Services, Department of	93.991		2,839,593	628,462
Maternal and Child Health Services Block Grant to the States	Health and Human Services, Department of	93.994		3,677,240	1,896,945
Medicated Feed Inspection Contract	Agriculture, Department of	93.U01		29,617	-
Food Inspection Contract	Agriculture, Department of	93.U03		2,419	-
Total U.S. Department of Health and Human Services			$	3,363,478,016	163,981,240
Homeland Security, U.S. Department of					
Urban Areas Security Init (Non-Profit Security Program)	Military Department	97.008	$	696,925	689,787
Homeland Security Grant Program	Military Department	97.067		3,512,728	2,418,320
Boating Safety Financial Assistance	Game and Parks Commission	97.012		1,323,734	-
Community Assistance Program State Support Services Element (CAP-SSSE)	Natural Resources, Department of	97.023		161,708	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Military Department	97.036		60,612,351	59,363,597
COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Military Department	97.036		19,602,181	18,209,155
Total Disaster Grants - Public Assistance (Presidentially Declared Disasters)				80,214,532	77,572,752
Hazard Mitigation Grant	Military Department	97.039		7,980,764	7,808,321
COVID-19 Hazard Mitigation Grant	Military Department	97.039		173,743	100,349
Total Hazard Mitigation Grant				8,154,507	7,908,670

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Federal Agency/Program Title	State Agency	AL or Grant #		2023 Expenditures	2023 Subrecipients
Homeland Security, U.S. Department of (Continued)					
National Dam Safety Program	Natural Resources, Department of	97.041		185,066	-
Emergency Management Performance Grants	Military Department	97.042		4,051,898	2,702,994
COVID-19 Emergency Management Performance Grants	Military Department	97.042		436,437	267,003
Total Emergency Management Performance Grants				4,488,335	2,969,997
State Fire Training Systems Grants	Fire Marshal	97.043		11,142	-
Assistance to Firefighters Grant	Fire Marshal	97.044		16,091	-
Cooperating Technical Partners	Natural Resources, Department of	97.045		1,475,539	-
BRIC: Building Resilient Infrastructure and Communities	Military Department	97.047		366,995	366,995
Total U.S. Department of Homeland Security			$	100,607,302	91,926,521
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	$	10,667,275	9,909,261
COVID-19 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Economic Development, Department of	14.228		7,526,382	7,236,036
Total Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii				18,193,657	17,145,297
Emergency Solutions Grant Program	Health and Human Services, Department of	14.231		862,343	807,388
COVID-19 Emergency Solutions Grant Program	Health and Human Services, Department of	14.231		2,450,105	2,446,639
Total Emergency Solutions Grant Program				3,312,448	3,254,027
Home Investment Partnerships Program	Economic Development, Department of	14.239		2,867,626	2,413,541
Housing Opportunities for Persons with AIDS	Health and Human Services, Department of	14.241		1,023,559	971,193
COVID-19 Housing Opportunities for Persons with AIDS	Health and Human Services, Department of	14.241		15,905	15,905
Total Housing Opportunities for Persons with AIDS				1,039,464	987,098
Housing Trust Fund	Economic Development, Department of	14.275		2,810,275	2,652,443
Fair Housing Assistance Program_State and Local	Equal Opportunity Commission	14.401		262,945	-
Total U.S. Department of Housing & Urban Development			$	28,486,415	26,452,406
Institute of Museum and Library Services					
Grants to States	Library Commission	45.310	$	1,569,214	-
COVID-19 Grants to States	Library Commission	45.310		109,173	-
Total Grants to States				1,678,387	-
National Leadership Grants	Library Commission	45.312		(1,752)	-
National Leadership Grants	Historical Society	45.312		67,739	-
Total National Leadership Grants				65,987	-
Total Institute of Museum and Library Services			$	1,744,374	-

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Federal Agency/Program Title	State Agency	AL or Grant #		2023 Expenditures	2023 Subrecipients
Interior, U.S. Department of the					
Energy Community Revitalization Program	Oil and Gas Commission	15.018	$	3,286,107	-
Cultural and Paleontological Resource Management	Education, Department of	15.224		1,192	1,192
Cultural Resources Management	Historical Society	15.511		542	-
Fish and Wildlife Coordination Act	Game and Parks Commission	15.517		3,079	-
Recreation Resources Management	Game and Parks Commission	15.524		229,938	-
Fish and Wildlife Management Assistance	Game and Parks Commission	15.608		239,541	162,148
Fish and Wildlife Cluster:					
Sport Fish Restoration	Game and Parks Commission	15.605		3,639,353	494,093
Wildlife Restoration and Basic Hunter Education	Game and Parks Commission	15.611		11,392,993	2,871,452
Enhanced Hunter Education and Safety	Game and Parks Commission	15.626		89,003	-
Total Fish and Wildlife Cluster				15,121,349	3,365,545
Cooperative Endangered Species Conservation Fund	Game and Parks Commission	15.615		43,226	41,768
Partners for Fish and Wildlife	Game and Parks Commission	15.631		1,035	-
State Wildlife Grants	Game and Parks Commission	15.634		1,157,576	514,849
Migratory Bird Joint Ventures	Game and Parks Commission	15.637		71,971	60,841
Historic Preservation Fund Grants-In-Aid	Historical Society	15.904		896,233	131,919
Outdoor Recreation_Acquisition, Development and Planning	Game and Parks Commission	15.916		477,286	340,733
Cultural Resources Management	Historical Society	15.946		6,500	-
Total U.S. Department of the Interior			$	21,535,575	4,618,995
Justice, U.S. Department of					
Sexual Assault Services Formula Program	Law Enforcement and Criminal Justice, Commission for	16.017	$	310,011	306,739
COVID-19 Coronavirus Emergency Supplemental Fund Program	Law Enforcement and Criminal Justice, Commission for	16.034		394,732	393,486
Services for Trafficking Victims	Health & Human Services, Department of	16.320		672,444	672,444
Juvenile Justice and Delinquency Prevention	Law Enforcement and Criminal Justice, Commission for	16.540		15,954	-
Just Juvenile Justice & Delinquency	State Patrol	16.542		2,754	-
Missing Children's Assistance	State Patrol	16.543		402,993	-
State Justice Statistics Program for Statistical Analysis Centers	Law Enforcement and Criminal Justice, Commission for	16.550		133,436	-
National Criminal History Improvement Program (NCHIP)	State Patrol	16.554		2,890,430	680,703
Crime Victim Assistance	Law Enforcement and Criminal Justice, Commission for	16.575		12,894,873	11,333,525
Crime Victim Compensation	Law Enforcement and Criminal Justice, Commission for	16.576		210,176	-
Justice Reinvestment Initiative	Nebraska Supreme Court	16.827		155,558	-
Justice Reinvestment Initiative	Pardons, Board of	16.827		172,570	-
Total Justice Reinvestment Initiative				328,128	-
Crime Victim Assistance/Discretionary Grants	Law Enforcement and Criminal Justice, Commission for	16.582		211,996	191,045

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Federal Agency/Program Title	State Agency	AL or Grant #		2023 Expenditures	2023 Subrecipients
Justice, U.S. Department of (Continued)					
Violence Against Women Formula Grants	Law Enforcement and Criminal Justice, Commission for	16.588		1,271,385	1,170,748
Residential Substance Abuse Treatment for State Prisoners	Law Enforcement and Criminal Justice, Commission for	16.593		94	-
Edward Byrne Memorial Justice Assistance Grant Program	Law Enforcement and Criminal Justice, Commission for	16.738		966,940	658,060
Edward Byrne Memorial Justice Assistance Grant Program	Supreme Court	16.738		104,835	-
Total Edward Byrne Memorial Justice Assistance Grant Program				1,071,775	658,060
DNA Backlog Reduction Program	State Patrol	16.741		702,748	-
Paul Coverdell Forensic Sciences Improvement Grant Program	State Patrol	16.742		428,199	-
Support for Adam Walsh Act Implementation Grant Program	State Patrol	16.750		210,179	-
Harold Rogers Prescription Drug Monitoring Program	Health & Human Services, Department of	16.754		2,908	-
Second Chance Act Reentry Initiative	Pardons, Board of	16.812		44,709	-
NICS Act Record Improvement Program	State Patrol	16.813		1,090,160	124,975
Stop School Violence	Education, Department of	16.839		79,064	55,769
Equitable Sharing Program	State Patrol	16.922		320,444	-
Federal Equitable Sharing Program: Public Safety Cash DOJ	State Patrol	16.922		521,062	-
Federal Equitable Sharing Program: Public Safety Cash Treasury	State Patrol	16.922		59,104	-
Total Federal Equitable Sharing Program				900,610	-
DEA Grants	State Patrol	16.U01		13,157	-
Total U.S. Department of Justice			$	24,282,915	15,587,494
Labor, U.S. Department of					
Labor Force Statistics	Labor, Department of	17.002	$	718,545	-
Compensation and Working Conditions	Worker's Compensation Court	17.005		44,969	-
Employment Service Cluster:					
Employment Service/Wagner-Peyser Funded Activities	Labor, Department of	17.207		5,047,535	1,406,355
Jobs for Veterans State Grants	Labor, Department of	17.801		920,120	-
Total Employment Service Cluster				5,967,655	1,406,355
Unemployment Insurance - Federal	Labor, Department of	17.225		416,382	-
COVID-19 Unemployment Insurance - Federal	Labor, Department of	17.225		375,184	-
Total Unemployment Insurance - Federal				791,566	-
Unemployment Insurance - State	Labor, Department of	17.225		60,374,819	-
Unemployment Insurance - Admin	Labor, Department of	17.225		12,586,612	-
Unemployment Insurance - Admin Reed Act	Labor, Department of	17.225		626,120	-
COVID-19 Unemployment Insurance - Admin	Labor, Department of	17.225		650,057	-
Total Unemployment Insurance - Admin				13,862,789	-
Total Unemployment Insurance				75,029,174	-

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Labor, U.S. Department of (Continued)					
Senior Community Service Employment Program	Labor, Department of	17.235		517,158	-
Trade Adjustment Assistance	Labor, Department of	17.245		513,112	-
WIOA Cluster:					
WIOA Adult Program	Labor, Department of	17.258		2,611,983	1,696,109
WIOA Youth Activities	Labor, Department of	17.259		3,842,025	2,406,116
WIOA Dislocated Worker Formula Grants	Labor, Department of	17.278		3,158,441	1,602,807
Total WIOA Cluster				9,612,449	5,705,032
Work Opportunity Tax Credit Program (WOTC)	Labor, Department of	17.271		489,636	-
Temporary Labor Certification for Foreign Workers	Labor, Department of	17.273		144,492	-
Apprenticeship USA Grants	Labor, Department of	17.285		8,119	-
Consultation Agreements	Labor, Department of	17.504		597,676	-
Total U.S. Department of Labor			$	93,642,985	7,111,387
National Endowment for the Arts					
Promotion of the Arts_Partnership Agreements	Arts Council	45.025	$	1,015,553	799,333
Total National Endowment for the Arts			$	1,015,553	799,333
President, Executive Office of the					
High Intensity Drug Trafficking Areas Program	State Patrol	95.001	$	1,191,592	780,769
Total Executive Office of the President			$	1,191,592	780,769
Small Business Administration					
State Trade Expansion Program	Economic Development, Department of	59.061	$	219,409	211,665
Total Small Business Administration			$	219,409	211,665
Social Security Administration					
Disability Insurance/SSI Cluster:					
Social Security_Disability Insurance	Education, Department of	96.001	$	10,503,589	-
Supplemental Security Income	Education, Department of	96.006		1,572,507	-
Supplemental Security Income	Blind and Visually Impaired Commission	96.006		559,385	-
Total Supplemental Security Income				2,131,892	-
Total Disability Insurance/SSI Cluster				12,635,481	-
Total Social Security Administration			$	12,635,481	-

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Transportation, U.S. Department of					
Airport Improvement Program	Transportation, Department of	20.106	$	24,986,915	24,673,424
COVID-19 Airport Improvement Program	Transportation, Department of	20.106		7,329,143	7,329,143
Total Airport Improvement Program				32,316,058	32,002,567
Highway Research and Development Program	Transportation, Department of	20.200		469,950	-
Highway Planning and Construction	Transportation, Department of	20.205		440,631,074	27,557,642
COVID-19 Highway Planning & Construction	Transportation, Department of	20.205		28,644,863	767,491
Total Highway Planning & Construction				469,275,937	28,325,133
Recreational Trails Program	Game and Parks Commission	20.219		493,930	449,774
Highway Training and Education	Transportation, Department of	20.215		8,675	-
FMCSA Cluster:					
Motor Carrier Safety Assistance	State Patrol	20.218		3,665,387	-
Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	State Patrol	20.237		30	-
Total FMSCA Cluster				3,665,417	-
Commercial Driver's License Program Implementation Grant	Motor Vehicles, Department of	20.232		27,896	-
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	Transportation, Department of	20.505		658,252	658,252
Formula Grants for Rural Areas and Tribal Transit Program	Transportation, Department of	20.509		12,301,564	9,202,739
COVID-19 Formula Grants for Rural Areas and Tribal Transit Program	Transportation, Department of	20.509		1,771,554	1,771,554
Total Formula Grants for Rural Areas				14,073,118	10,974,293
Transit Services Programs Cluster:					
Enhanced Mobility for Seniors and Individuals with Disabilities	Transportation, Department of	20.513		774,060	774,060
Highway Safety Cluster:					
State and Community Highway Safety	Transportation, Department of	20.600		3,798,862	2,957,012
Incentive Grant Program to Prohibit Racial Profiling	Transportation, Department of	20.611		91,677	91,677
National Priority Safety Programs	Transportation, Department of	20.616		2,607,242	1,743,419
Total Highway Safety Cluster				6,497,781	4,792,108
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	Transportation, Department of	20.614		75,313	-
Pipeline Safety Program State Base Grant	Fire Marshal	20.700		459,863	184,619
Interagency Hazardous Materials Public Sector Training and Planning Grants	Military Department	20.703		190,259	8,467
National Infrastructure Investments	Transportation, Department of	20.933		18,344,985	3,874,160
Federal Lands Highway Program	Transportation, Department of	20.U01		16,142	-
Total U.S. Department of Transportation			$	547,347,636	82,043,433

^ - 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, 2023

Federal Agency/Program Title	State Agency	AL or Grant #		2023 Expenditures	2023 Subrecipients
Veterans Affairs, U.S. Department of					
Grants to States for Construction of State Home Facilities	Veterans' Affairs, Department of	64.005	$	1,883,003	-
Veterans State Domiciliary Care	Veterans' Affairs, Department of	64.014		1,547,097	-
Veterans State Nursing Home Care	Veterans' Affairs, Department of	64.015		21,960,018	-
Cooperative Agreement for Veteran Training Program	Education, Department of	64.U01		184,459	-
Total U.S. Department of Veterans Affairs			$	25,574,577	-
Treasury, U.S. Department of the					
COVID-19 Coronavirus Relief Fund	Military Department	21.019	$	82,277	-
COVID-19 Emergency Rental Assistance	Military Department	21.023		8,191,832	-
COVID-19 Homeowner Assistance Fund	Military Department	21.026		28,572,142	-
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	Military Department	21.027		201,770,461	61,460,101
COVID-19 Coronavirus Capital Projects Fund	Military Department	21.029		79,841	-
COVID-19 State Small Business Credit Initiative (SSBCI)	Economic Development, Department of	21.U01		2,071,720	-
Total U.S. Department of the Treasury			$	240,768,273	61,460,101
TOTAL EXPENDITURES OF FEDERAL AWARDS			$	5,676,308,011	1,057,506,488

^ - 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 State Agency
For the Fiscal Year Ended June 30, 2023

State Agency/Program Title	Federal Agency	AL or Grant #		2023 Expenditures	2023 Subrecipients
Administrative Services, Department of					
State Digital Equity Planning Grants	Commerce, U.S. Department of	11.032	$	124,158	124,158
Total Department of Administrative Services			$	124,158	124,158
Agriculture, Department of					
Plant and Animal Disease, Pest Control, and Animal Care	Agriculture, U.S. Department of	10.025	$	1,029,497	-
Specialty Crop Block Grant Program - Farm Bill	Agriculture, U.S. Department of	10.170		1,297,137	1,250,174
State Mediation Grants	Agriculture, U.S. Department of	10.435		151,395	-
Meat, Poultry, and Egg Products Inspection	Agriculture, U.S. Department of	10.477		12,000	-
Farm and Ranch Stress Assistance Network Competitive Grants Program	Agriculture, U.S. Department of	10.525		236,064	233,197
WIC Farmers' Market Nutrition Program (FMNP)	Agriculture, U.S. Department of	10.572		56,197	-
Senior Farmers Market Nutrition Program	Agriculture, U.S. Department of	10.576		197,177	-
Emerging Markets Program	Agriculture, U.S. Department of	10.603		24,035	-
Nebraska Rural Rehabilitation Program	Agriculture, U.S. Department of	10.U01		192,077	-
Performance Partnership Grants	Environmental Protection Agency, U.S.	66.605		594,379	-
Food and Drug Administration_Research	Health and Human Services, U.S. Department of	93.103		585,438	-
Medicated Feed Inspection Contract	Health and Human Services, U.S. Department of	93.U01		29,617	-
Food Inspection Contract	Health and Human Services, U.S. Department of	93.U03		2,419	-
Total Department of Agriculture			$	4,407,432	1,483,371
Arts Council					
Promotion of the Arts_Partnership Agreements	National Endowment for the Arts	45.025	$	1,015,553	799,333
Total Arts Council			$	1,015,553	799,333
Attorney General					
State Medicaid Fraud Control Units	Health and Human Services, U.S. Department of	93.775	$	1,182,723	-
Total Attorney General			$	1,182,723	-
Blind and Visually Impaired Commission					
Rehabilitation Services_Vocational Rehabilitation Grants to States	Education, U.S. Department of	84.126	$	2,642,780	-
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	Education, U.S. Department of	84.177		563,428	-
Supported Employment Services for Individuals with the Most Significant Disabilities	Education, U.S. Department of	84.187		35,328	-
Disability Insurance/SSI Cluster:					
Supplemental Security Income	Social Security Administration	96.006		559,385	-
Total Blind and Visually Impaired Commission			$	3,800,921	-

^ - 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 State Agency
For the Fiscal Year Ended June 30, 2023

State Agency/Program Title	Federal Agency	AL or Grant #		2023 Expenditures	2023 Subrecipients
Corrections, Department of					
Donation of Federal Surplus Personal Property	General Services Administration	39.003	$	620,724	-
Total Department of Corrections			$	620,724	-
Economic Development, Department of					
Economic Development Cluster					
Economic Adjustment Assistance	Commerce, U.S. Department of	11.307	$	301,372	-
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Housing & Urban Development, U.S. Department of	14.228		10,667,275	9,909,261
COVID-19 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Housing & Urban Development, U.S. Department of	14.228		7,526,382	7,236,036
Total Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii				18,193,657	17,145,297
Home Investment Partnerships Program	Housing & Urban Development, U.S. Department of	14.239		2,867,626	2,413,541
Housing Trust Fund	Housing & Urban Development, U.S. Department of	14.275		2,810,275	2,652,443
COVID-19 State Small Business Credit Initiative (SSBCI)	Treasury, U.S. Department of the	21.U01		2,071,720	-
State Trade Expansion Program	Small Business Administration	59.061		219,409	211,665
Total Department of Economic Development			$	26,464,059	22,422,946
Education, Department of					
Child Nutrition-Technology Innovation	Agriculture, U.S. Department of	10.541	$	379,057	-
Child Nutrition Cluster:					
School Breakfast Program	Agriculture, U.S. Department of	10.553		26,436,714	26,436,714
National School Lunch Program	Agriculture, U.S. Department of	10.555		117,928,818	117,928,818
Special Milk Program for Children	Agriculture, U.S. Department of	10.556		41,349	41,349
Summer Food Service Program for Children	Agriculture, U.S. Department of	10.559		2,312,576	2,266,344
Fresh Fruit and Vegetable Program	Agriculture, U.S. Department of	10.582		2,259,332	2,223,368
Total Child Nutrition Cluster				148,978,789	148,896,593
Child and Adult Care Food Program	Agriculture, U.S. Department of	10.558		30,305,031	30,020,576
State Administrative Expenses for Child Nutrition	Agriculture, U.S. Department of	10.560		2,234,813	-
Team Nutrition Grants	Agriculture, U.S. Department of	10.574		136,101	16,488
Farm to School Grant Program	Agriculture, U.S. Department of	10.575		58,272	9,500
Child Nutrition Discretionary Grants Limited Availability	Agriculture, U.S. Department of	10.579		377,253	377,253
Farm to School State Formula Grant	Agriculture, U.S. Department of	10.645		1,310	-

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

State Agency/Program Title	Federal Agency	AL or Grant #	2023 Expenditures	2023 Subrecipients
Education, Department of (Continued)				
Forest Service Schools and Roads Cluster:				
Schools and Roads - Grants to Counties	Agriculture, U.S. Department of	10.666	171,657	171,657
Payments to States in Lieu of Real Estate Taxes	Defense, U.S. Department of	12.112	103,517	103,517
Cultural and Paleontological Resource Management	Interior, U.S. Department of the	15.224	1,192	1,192
Stop School Violence	Justice, U.S. Department of	16.839	79,064	55,769
FCC - Certification	Federal Communications Commission	32.U01	31,570	-
Cooperative Agreement for Veteran Training Program	Veterans Affairs, U.S. Department of	64.U01	184,459	-
Adult Education - Basic Grants to States	Education, U.S. Department of	84.002	3,676,708	3,364,587
Title I Grants to Local Educational Agencies	Education, U.S. Department of	84.010	59,346,652	58,466,004
Migrant Education_State Grant Program	Education, U.S. Department of	84.011	9,653,857	9,339,606
Title I State Agency Program for Neglected and Delinquent Children and Youth	Education, U.S. Department of	84.013	560,547	558,551
Special Education Cluster (IDEA):				
Special Education_Grants to States	Education, U.S. Department of	84.027	77,050,785	73,120,105
COVID-19 Special Education_Grants to States	Education, U.S. Department of	84.027	8,127,331	8,127,331
Total Special Education_Grants to States			85,178,116	81,247,436
Special Education_Preschool Grants	Education, U.S. Department of	84.173	2,129,580	1,850,412
COVID-19 Special Education_Preschool Grants	Education, U.S. Department of	84.173	550,432	550,432
Total Special Education_Preschool Grants			2,680,012	2,400,844
Total Special Education Cluster (IDEA)			87,858,128	83,648,280
Career and Technical Education -- Basic Grants to States	Education, U.S. Department of	84.048	7,763,647	6,476,703
Career and Technical Education -- National Programs	Education, U.S. Department of	84.051	135,530	-
Rehabilitation Services_Vocational Rehabilitation Grants to States	Education, U.S. Department of	84.126	14,184,281	-
Migrant Education_Coordination Program	Education, U.S. Department of	84.144	127,810	36,000
Rehabilitation Services_Client Assistance Program	Education, U.S. Department of	84.161	89,937	-
Special Education-Grants for Infants and Families	Education, U.S. Department of	84.181	2,950,886	2,193,400
COVID-19 Special Education-Grants for Infants and Families	Education, U.S. Department of	84.181	448,944	373,837
Total Special Education-Grants for Infants and Families			3,399,830	2,567,237
School Safety National Activities	Education, U.S. Department of	84.184	591,411	-
Supported Employment Services for Individuals with the Most Significant Disabilities	Education, U.S. Department of	84.187	540,000	-
Education for Homeless Children and Youth	Education, U.S. Department of	84.196	413,270	327,422
Twenty-First Century Community Learning Centers	Education, U.S. Department of	84.287	6,209,943	5,858,191
Statewide Family Engagement Centers	Education, U.S. Department of	84.310	2,274	-
Special Education - State Personnel Development	Education, U.S. Department of	84.323	346,796	67,439

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

State Agency/Program Title	Federal Agency	AL or Grant #	2023 Expenditures	2023 Subrecipients
Education, Department of (Continued)				
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	Education, U.S. Department of	84.325	220,519	196,047
Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	Education, U.S. Department of	84.326	72,814	63,210
Rural Education	Education, U.S. Department of	84.358	1,234	-
English Language Acquisition State Grants	Education, U.S. Department of	84.365	3,922,589	3,666,982
Supporting Effective Instruction State Grant	Education, U.S. Department of	84.367	9,165,069	8,486,982
Competitive Grants for State Assessments	Education, U.S. Department of	84.368	1,685,994	-
Grants for State Assessments and Related Activities	Education, U.S. Department of	84.369	6,810,733	-
Statewide Longitudinal Data Systems	Education, U.S. Department of	84.372	1,067,669	-
School Improvement Grants	Education, U.S. Department of	84.377	54,773	54,773
Disability Innovation Fund	Education, U.S. Department of	84.421	1,242,711	-
Student Support and Academic Enrichment Program	Education, U.S. Department of	84.424	5,197,672	4,912,774
Student Support and Academic Enrichment Program - Stronger Connections Grant (SCG) Program	Education, U.S. Department of	84.424F	310	-
COVID-19 Education Stabilization Fund - Governor's Emergency Education Relief Fund (GEER I)	Education, U.S. Department of	84.425C	4,349,949	-
COVID-19 Education Stabilization Fund - Elementary and Secondary School Emergency Relief Fund (ESSER I)	Education, U.S. Department of	84.425D	4,841,280	3,914,972
COVID-19 Education Stabilization Fund - Elementary and Secondary School Emergency Relief Fund (ESSER II)	Education, U.S. Department of	84.425D	89,826,328	88,263,229
COVID-19 Education Stabilization Fund - Coronavirus Response and Relief Supplemental Appropriations Act, 2021 - Emergency Assistance for Non-Public Schools (CRRSA EANS)	Education, U.S. Department of	84.425R	3,508,843	-
COVID-19 Education Stabilization Fund - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	Education, U.S. Department of	84.425U	103,267,188	91,553,816
COVID-19 Education Stabilization Fund - American Rescue Plan - Emergency Assistance to Non-Public Schools (ARP EANS)	Education, U.S. Department of	84.425V	8,139,150	-
COVID-19 Education Stabilization Fund - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP HCY)	Education, U.S. Department of	84.425W	534,248	323,643
Total Education Stabilization Fund			214,466,986	184,055,660
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	137,162	-
Traumatic Brain Injury State Demonstration Grant Program	Health and Human Services, U.S. Department of	93.234	184,309	-
COVID-19 Traumatic Brain Injury State Demonstration Grant Program	Health and Human Services, U.S. Department of	93.234	14,830	-
Total Traumatic Brain Injury State Demonstration Grant Program			199,139	-
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	Health and Human Services, U.S. Department of	93.243	2,768,115	280,150

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See Accompanying notes to the Schedule of Expenditures of Federal Awards

State Agency/Program Title	Federal Agency	AL or Grant #		2023 Expenditures	2023 Subrecipients
Education, Department of (Continued)					
ACL Assistive Technology	Health and Human Services, U.S. Department of	93.464		532,403	-
Head Start Cluster:					
Head Start	Health and Human Services, U.S. Department of	93.600		133,458	5,000
Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools	Health and Human Services, U.S. Department of	93.981		415,401	13,250
COVID-19 Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools	Health and Human Services, U.S. Department of	93.981		180,743	93,570
Total Improving Student Health and Academic Achievement				596,144	106,820
Disability Insurance/SSI Cluster:					
Social Security_Disability Insurance	Social Security Administration	96.001		10,503,589	-
Supplemental Security Income	Social Security Administration	96.006		1,572,507	-
Total Disability Insurance/SSI Cluster				12,076,096	-
Total Department of Education			$	638,294,296	552,190,963
Environment and Energy, Department of					
Hazardous Waste Management	Agriculture, U.S. Department of	10.U02	$	32,274	-
State Memorandum of Agreement Program for the Reimbursement of Technical Services	Defense, U.S. Department of	12.113		97,113	-
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	Environmental Protection Agency, U.S.	66.034		266,067	-
Diesel Emissions Reduction Act (DERA) State Grants	Environmental Protection Agency, U.S.	66.040		473,261	-
Water Pollution Control State, Interstate, and Tribal Program Support	Environmental Protection Agency, U.S.	66.419		405,179	-
State Public Water System Supervision	Environmental Protection Agency, U.S.	66.432		822,136	-
Water Infrastructure Improvements for the Nation Small and Underserved Communities Emerging Contaminants Grant Program	Environmental Protection Agency, U.S.	66.442		194,450	-
Voluntary School and Child Care Lead Testing and Reduction Grant Program (SDWA 1464(d))	Environmental Protection Agency, U.S.	66.444		77,472	-
Water Quality Management Planning	Environmental Protection Agency, U.S.	66.454		100,168	-
Clean Water State Revolving Fund Cluster:					
Capitalization Grants for Clean Water State Revolving Funds	Environmental Protection Agency, U.S.	66.458		15,519,538	15,519,288
Nonpoint Source Implementation Grants	Environmental Protection Agency, U.S.	66.460		2,499,562	-
Drinking Water State Revolving Fund Cluster:					
Capitalization Grants for Drinking Water State Revolving Funds	Environmental Protection Agency, U.S.	66.468		15,664,617	13,578,562
Performance Partnership Grants	Environmental Protection Agency, U.S.	66.605		4,692,484	-
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	Environmental Protection Agency, U.S.	66.802		323,244	-

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State Agency/Program Title	Federal Agency	AL or Grant #		2023 Expenditures	2023 Subrecipients
Environment and Energy, Department of (Continued)					
Leaking Underground Storage Tank Trust Fund Corrective Action Program	Environmental Protection Agency, U.S.	66.805		712,383	-
State and Tribal Response Program Grants	Environmental Protection Agency, U.S.	66.817		593,639	-
State Energy Program	Energy, U.S. Department of	81.041		540,173	-
Weatherization Assistance for Low-Income Persons	Energy, U.S. Department of	81.042		2,864,418	2,489,801
State Heating Oil and Propane Program	Energy, U.S. Department of	81.138		5,086	-
Food and Drug Administrative Research	Health and Human Services, U.S. Department of	93.103		2,427	-
Low-Income Home Energy Assistance	Health and Human Services, U.S. Department of	93.568		2,861,862	2,780,394
Total Department of Environment and Energy			$	48,747,553	34,368,045
Equal Opportunity Commission					
Fair Housing Assistance Program_State and Local	Housing & Urban Development, U.S. Department of	14.401	$	262,945	-
Employment Discrimination_State and Local Fair Employment Practices Agency Contracts	Equal Employment Opportunity Commission, U.S.	30.001		530,241	-
Total Equal Opportunity Commission			$	793,186	-
Fire Marshal					
Pipeline Safety Program State Base Grant	Transportation, U.S. Department of	20.700	$	459,863	184,619
Environmental Information Exchange Network	Environmental Protection Agency, U.S.	66.608		6,094	-
Underground Storage Tank Prevention, Detection and Compliance Program	Environmental Protection Agency, U.S.	66.804		396,702	-
State Fire Training Systems Grants	Homeland Security, U.S. Department of	97.043		11,142	-
Assistance to Firefighters Grant	Homeland Security, U.S. Department of	97.044		16,091	-
Total Fire Marshal			$	889,892	184,619
Game and Parks Commission					
Wetlands Reserve Program	Agriculture, U.S. Department of	10.072	$	15,547	-
Voluntary Public Access and Habitat Incentive	Agriculture, U.S. Department of	10.093		1,129,036	1,129,036
Agriculture Conservation Easement Program	Agriculture, U.S. Department of	10.931		22,236	-
Regional Conservation Partnership Program	Agriculture, U.S. Department of	10.932		12,233	12,233
Recreation Resources Management	Interior, U.S. Department of the	15.524		229,938	-
Fish and Wildlife Coordination Act	Interior, U.S. Department of the	15.517		3,079	-
Fish and Wildlife Management Assistance	Interior, U.S. Department of the	15.608		239,541	162,148

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State Agency/Program Title	Federal Agency	AL or Grant #		2023 Expenditures	2023 Subrecipients
Game and Parks Commission (Continued)					
Fish and Wildlife Cluster:					
Sport Fish Restoration	Interior, U.S. Department of the	15.605		3,639,353	494,093
Wildlife Restoration and Basic Hunter Education	Interior, U.S. Department of the	15.611		11,392,993	2,871,452
Enhanced Hunter Education and Safety	Interior, U.S. Department of the	15.626		89,003	-
Total Fish and Wildlife Cluster				15,121,349	3,365,545
Cooperative Endangered Species Conservation Fund	Interior, U.S. Department of the	15.615		43,226	41,768
Partners for Fish and Wildlife	Interior, U.S. Department of the	15.631		1,035	-
State Wildlife Grants	Interior, U.S. Department of the	15.634		1,157,576	514,849
Migratory Bird Joint Ventures	Interior, U.S. Department of the	15.637		71,971	60,841
Outdoor Recreation_Acquisition, Development and Planning	Interior, U.S. Department of the	15.916		477,286	340,733
Recreational Trails Program	Transportation, U.S. Department of	20.219		493,930	449,774
Multipurpose Grants to States and Tribes	Environmental Protection Agency, U.S.	66.204		1,241	-
Regional Wetland Program Development Grants	Environmental Protection Agency, U.S.	66.461		142,638	112,061
Boating Safety Financial Assistance	Homeland Security, U.S. Department of	97.012		1,323,734	-
Total Game and Parks Commission			$	20,485,596	6,188,988
Health and Human Services, Department of					
COVID-19 Pandemic EBT Food Benefits	Agriculture, U.S. Department of	10.542	$	76,556,107	-
SNAP Cluster:					
Supplemental Nutrition Assistance Program	Agriculture, U.S. Department of	10.551		314,946,981	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Agriculture, U.S. Department of	10.561		25,704,316	1,854,617
COVID-19 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Agriculture, U.S. Department of	10.561		1,161,860	-
Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Agriculture, U.S. Department of			26,866,176	1,854,617
Total SNAP Cluster				341,813,157	1,854,617
Child Nutrition Cluster:					
National School Lunch Program	Agriculture, U.S. Department of	10.555		18,831,900	-
Special Supplemental Nutrition Program for Women, Infants, and Children	Agriculture, U.S. Department of	10.557		31,758,397	10,712,101
Child and Adult Care Food Program	Agriculture, U.S. Department of	10.558		207,250	-
State Administrative Expenses for Child Nutrition	Agriculture, U.S. Department of	10.560		936,822	-

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State Agency/Program Title	Federal Agency	AL or Grant #	2023 Expenditures	2023 Subrecipients
Health and Human Services, Department of (Continued)				
Food Distribution Cluster:				
Commodity Supplemental Food Program	Agriculture, U.S. Department of	10.565	2,561,188	639,191
Emergency Food Assistance Program (Administrative Costs)	Agriculture, U.S. Department of	10.568	717,293	717,293
COVID-19 Emergency Food Assistance Program (Administrative Costs)	Agriculture, U.S. Department of	10.568	532,946	532,946
Total Emergency Food Assistance Program (Administrative Costs)			1,250,239	1,250,239
Emergency Food Assistance Program (Food Commodities)	Agriculture, U.S. Department of	10.569	4,838,061	-
Total Food Distribution Cluster			8,649,488	1,889,430
WIC Grants To States (WGS)	Agriculture, U.S. Department of	10.578	159,288	-
COVID-19 Pandemic EBT Administrative Costs	Agriculture, U.S. Department of	10.649	714,545	-
Emergency Solutions Grant Program	Housing & Urban Development, U.S. Department of	14.231	862,343	807,388
COVID-19 Emergency Solutions Grant Program	Housing & Urban Development, U.S. Department of	14.231	2,450,105	2,446,639
Total Emergency Solutions Grant Program			3,312,448	3,254,027
Housing Opportunities for Persons with AIDS	Housing & Urban Development, U.S. Department of	14.241	1,023,559	971,193
COVID-19 Housing Opportunities for Persons with AIDS	Housing & Urban Development, U.S. Department of	14.241	15,905	15,905
Total Housing Opportunities for Persons with AIDS			1,039,464	987,098
Services for Trafficking Victims	Justice, U.S. Department of	16.320	672,444	672,444
Harold Rogers Prescription Drug Monitoring Program	Justice, U.S. Department of	16.754	2,908	-
State Indoor Radon Grants	Environmental Protection Agency, U.S.	66.032	162,061	41,588
Performance Partnership Grants	Environmental Protection Agency, U.S.	66.605	177,935	-
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	28,459	-
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	98,773	98,773
COVID-19 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	42,357	7,757
Total Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals			141,130	106,530
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	125,027	125,027
COVID-19 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	8,478	8,478
Total Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services			133,505	133,505

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

State Agency/Program Title	Federal Agency	AL or Grant #		2023 Expenditures	2023 Subrecipients
Health and Human Services, Department of (Continued)					
Aging Cluster:					
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	Health and Human Services, U.S. Department of	93.044		2,109,520	1,542,658
COVID-19 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		805,513	805,513
Total Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers				2,915,033	2,348,171
Special Programs for the Aging_Title III, Part C_Nutrition Services	Health and Human Services, U.S. Department of	93.045		4,139,490	4,098,879
COVID-19 Special Programs for the Aging_Title III, Part C_Nutrition Services	Health and Human Services, U.S. Department of	93.045		1,711,972	1,711,972
Total Special Programs for the Aging_Title III, Part C_Nutrition Services				5,851,462	5,810,851
COVID-19 Special Programs for the Aging - Title IV and Title II - Discretionary Projects	Health and Human Services, U.S. Department of	93.048		35,199	35,199
Nutrition Services Incentive Program	Health and Human Services, U.S. Department of	93.053		1,062,762	1,062,762
Total Aging Cluster				9,864,456	9,256,983
National Family Caregiver Support, Title III, Part E	Health and Human Services, U.S. Department of	93.052		830,378	742,898
COVID-19 National Family Caregiver Support, Title III, Part E	Health and Human Services, U.S. Department of	93.052		164,700	164,700
Total National Family Caregiver Support, Title III, Part E				995,078	907,598
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		5,049,895	4,425,946
National Bioterrorism Hospital Preparedness Program	Health and Human Services, U.S. Department of	93.889		1,132,040	927,139
COVID-19 National Bioterrorism Hospital Preparedness Program	Health and Human Services, U.S. Department of	93.889		1,582,297	-
Total National Bioterrorism Hospital Preparedness Program				2,714,337	927,139
Total Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements Cluster				7,764,232	5,353,085
Environmental Public Health and Emergency Response	Health and Human Services, U.S. Department of	93.070		54,923	45,983
Guardianship Assistance	Health and Human Services, U.S. Department of	93.090	^	297,768	-
COVID-19 Guardianship Assistance	Health and Human Services, U.S. Department of	93.090		22,563	-
Total Guardianship Assistance				320,331	-
Affordable Care Act (ACA) Personal Responsibility Education Program	Health and Human Services, U.S. Department of	93.092		322,737	249,449
Maternal and Child Health Federal Consolidated Programs	Health and Human Services, U.S. Department of	93.110		424,685	311,213
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	Health and Human Services, U.S. Department of	93.116		283,800	-
Emergency Medical Services for Children	Health and Human Services, U.S. Department of	93.127		103,418	-
Injury Prevention and Control Research and State and Community Based Programs	Health and Human Services, U.S. Department of	93.136		4,075,943	1,538,227
Projects for Assistance in Transition from Homelessness (PATH)	Health and Human Services, U.S. Department of	93.150		352,343	340,370

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

State Agency/Program Title	Federal Agency	AL or Grant #	2023 Expenditures	2023 Subrecipients
Health and Human Services, Department of (Continued)				
COVID-19 Rural Health Research Centers	Health and Human Services, U.S. Department of	93.155	5,299,462	5,299,462
Grants to State for Loan Repayment Program	Health and Human Services, U.S. Department of	93.165	118,232	-
COVID-19 Grants to State for Loan Repayment Program	Health and Human Services, U.S. Department of	93.165	487,572	-
Total Grants to State for Loan Repayment Program			605,804	-
Childhood Lead Poisoning Prevention Project	Health and Human Services, U.S. Department of	93.197	398,188	162,946
Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program	Health and Human Services, U.S. Department of	93.235	241,290	173,734
Grants to States to Support Oral Health Workforce Activities	Health and Human Services, U.S. Department of	93.236	11,753	-
State Rural Hospital Flexibility Program	Health and Human Services, U.S. Department of	93.241	811,967	507,287
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	Health and Human Services, U.S. Department of	93.243	4,215,098	3,432,621
Early Hearing Detection and Intervention	Health and Human Services, U.S. Department of	93.251	159,115	66,590
Occupational Safety and Health Program	Health and Human Services, U.S. Department of	93.262	232,310	-
Immunization Cooperative Agreements	Health and Human Services, U.S. Department of	93.268	29,032,718	1,068,822
COVID-19 Immunization Cooperative Agreements	Health and Human Services, U.S. Department of	93.268	14,193,631	10,934,361
Total Immunization Cooperative Agreements			43,226,349	12,003,183
Viral Hepatitis Prevention and Control	Health and Human Services, U.S. Department of	93.270	65,365	-
Drug Abuse and Addiction Research Programs	Health and Human Services, U.S. Department of	93.279	52,280	-
Small Rural Hospital Improvement Grant Program	Health and Human Services, U.S. Department of	93.301	808,467	808,467
COVID-19 Small Rural Hospital Improvement Grant Program	Health and Human Services, U.S. Department of	93.301	(9,448)	(9,448)
Total Small Rural Hospital Improvement Grant Program			799,019	799,019
National State Based Tobacco Control Programs	Health and Human Services, U.S. Department of	93.305	(25,853)	-
National and State Tobacco Control Program	Health and Human Services, U.S. Department of	93.387	680,295	70,166
COVID-19 Activities to Support State, Tribal, Local and Territorial Health Department Response to Public Health or Healthcare Crises	Health and Human Services, U.S. Department of	93.391	14,107,777	11,658,934
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	Health and Human Services, U.S. Department of	93.314	110,581	-
Epidemiology & Laboratory Capacity for Infectious Diseases	Health and Human Services, U.S. Department of	93.323	2,126,097	745,137
COVID-19 Epidemiology & Laboratory Capacity for Infectious Diseases	Health and Human Services, U.S. Department of	93.323	22,442,027	10,830,767
Total Epidemiology & Laboratory Capacity for Infectious Diseases			24,568,124	11,575,904
Behavioral Risk Factor Surveillance System	Health and Human Services, U.S. Department of	93.336	528,365	-
COVID-19 Behavioral Risk Factor Surveillance System	Health and Human Services, U.S. Department of	93.336	5,943	-
Total Behavioral Risk Factor Surveillance System			534,308	-
COVID-19 Public Health Crisis Response Awards	Health and Human Services, U.S. Department of	93.354	1,581,109	212,552

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See Accompanying notes to the Schedule of Expenditures of Federal Awards

State Agency/Program Title	Federal Agency	AL or Grant #		2023 Expenditures	2023 Subrecipients
Health and Human Services, Department of (Continued)					
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	Health and Human Services, U.S. Department of	93.421		7,762	-
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		898,462	521,373
ESSA/Preschool Development Grants	Health and Human Services, U.S. Department of	93.434		13,113,647	12,051,040
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		151,460	-
Well-Integrated Screening and Evaluation for Women Across the Nation (Wisewoman)	Health and Human Services, U.S. Department of	93.436		513,038	124,687
COVID-19 Family Violence Prevention and Services/Sexual Assault/Rape Crisis Services and Supports	Health and Human Services, U.S. Department of	93.497		80,247	80,247
National Health Service Corps	Health and Human Services, U.S. Department of	93.547		143,995	-
Promoting Safe and Stable Families	Health and Human Services, U.S. Department of	93.556		1,546,590	1,050,735
COVID-19 Promoting Safe and Stable Families	Health and Human Services, U.S. Department of	93.556		119,343	119,343
Total Promoting Safe and Stable Families				1,665,933	1,170,078
Temporary Assistance for Needy Families	Health and Human Services, U.S. Department of	93.558		38,604,793	15,223,886
Child Support Enforcement	Health and Human Services, U.S. Department of	93.563	^	24,952,984	9,065,433
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	Health and Human Services, U.S. Department of	93.566	^	18,654,101	5,212,322
Low-Income Home Energy Assistance	Health and Human Services, U.S. Department of	93.568		33,472,475	-
COVID-19 Low-Income Home Energy Assistance	Health and Human Services, U.S. Department of	93.568		5,156,436	-
Total Low-Income Home Energy Assistance				38,628,911	-
Community Services Block Grant	Health and Human Services, U.S. Department of	93.569		5,281,350	5,151,870
COVID-19 Community Services Block Grant	Health and Human Services, U.S. Department of	93.569		1,309,186	1,307,506
Total Community Services Block Grant				6,590,536	6,459,376
CCDF Cluster:					
Child Care and Development Block Grant	Health and Human Services, U.S. Department of	93.575		34,893,817	3,403,347
COVID-19 Child Care and Development Block Grant	Health and Human Services, U.S. Department of	93.575		127,028,096	2,167,646
Total Child Care and Development Block Grant				161,921,913	5,570,993
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Health and Human Services, U.S. Department of	93.596		21,184,880	-
Total CCDF Cluster				183,106,793	5,570,993
Grants to States for Access and Visitation Programs	Health and Human Services, U.S. Department of	93.597		96,484	96,484
Chafee Education and Training Vouchers Program (ETV)	Health and Human Services, U.S. Department of	93.599		473,226	473,226
COVID-19 Chafee Education and Training Vouchers Program (ETV)	Health and Human Services, U.S. Department of	93.599		157,351	157,351
Total Chafee Education and Training Vouchers Program (ETV)				630,577	630,577

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

State Agency/Program Title	Federal Agency	AL or Grant #		2023 Expenditures	2023 Subrecipients
Health and Human Services, Department of (Continued)					
Adoption and Legal Guardianship Incentive Payments	Health and Human Services, U.S. Department of	93.603		739,940	156,553
Developmental Disabilities Basic Support and Advocacy Grants	Health and Human Services, U.S. Department of	93.630		514,725	175,748
COVID-19 Developmental Disabilities Basic Support and Advocacy Grants	Health and Human Services, U.S. Department of	93.630		19,500	-
Total Developmental Disabilities Basic Support and Advocacy Grants				534,225	175,748
Children's Justice Grants to States	Health and Human Services, U.S. Department of	93.643		100,477	23,223
Stephanie Tubbs Jones Child Welfare Service Program	Health and Human Services, U.S. Department of	93.645		1,582,799	-
Foster Care_Title IV-E	Health and Human Services, U.S. Department of	93.658	^	32,185,111	1,561,400
COVID-19 Foster Care_Title IV-E	Health and Human Services, U.S. Department of	93.658		530,452	-
Total Foster Care_Title IV-E				32,715,563	1,561,400
Adoption Assistance	Health and Human Services, U.S. Department of	93.659	^	23,275,141	-
COVID-19 Adoption Assistance	Health and Human Services, U.S. Department of	93.659		2,042,430	-
Total Adoption Assistance				25,317,571	-
COVID-19 Emergency Grants to Address Mental and Substance Use Orders during COVID-19	Health and Human Services, U.S. Department of	93.665		72,346	71,717
Social Services Block Grant	Health and Human Services, U.S. Department of	93.667		11,201,456	2,299,452
Child Abuse and Neglect State Grants	Health and Human Services, U.S. Department of	93.669		624,663	544,541
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	Health and Human Services, U.S. Department of	93.671		1,164,397	1,164,397
COVID-19 Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	Health and Human Services, U.S. Department of	93.671		382,548	382,548
Total Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services				1,546,945	1,546,945
John H. Chafee Foster Care Program for Successful Transition to Adulthood	Health and Human Services, U.S. Department of	93.674		1,144,459	881,373
COVID-19 John H. Chafee Foster Care Program for Successful Transition to Adulthood	Health and Human Services, U.S. Department of	93.674		1,009,863	989,856
Total John H. Chafee Foster Care Program for Successful Transition to Adulthood	Health and Human Services, U.S. Department of			2,154,322	1,871,229
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		70,609	29,000
COVID-19 Elder Abuse Prevention Interventions Program	Health and Human Services, U.S. Department of	93.747		524,606	-
Children's Health Insurance Program	Health and Human Services, U.S. Department of	93.767	^	78,481,703	-
COVID-19 Children's Health Insurance Program	Health and Human Services, U.S. Department of	93.767		5,073,968	-
Total Children's Health Insurance Program				83,555,671	-

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

State Agency/Program Title	Federal Agency	AL or Grant #		2023 Expenditures	2023 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	^	4,288,694	-
COVID-19 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	Health and Human Services, U.S. Department of	93.777		2,178	-
Total State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare				4,290,872	-
Medical Assistance Program	Health and Human Services, U.S. Department of	93.778	^	2,532,722,982	11,007,687
COVID-19 Medical Assistance Program	Health and Human Services, U.S. Department of	93.778	^	169,035,556	1,083,752
Total Medical Assistance Program				2,701,758,538	12,091,439
Total Medicaid Cluster				2,706,049,410	12,091,439
Opioid STR	Health and Human Services, U.S. Department of	93.788		2,716,948	2,316,328
Organized Approaches to Increase Colorectal Cancer Screening	Health and Human Services, U.S. Department of	93.800		358,427	172,181
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	Health and Human Services, U.S. Department of	93.817		467,720	467,720
COVID-19 Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	Health and Human Services, U.S. Department of	93.817		187,662	187,662
Total Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities				655,382	655,382
Maternal, Infant, & Early Childhood Home Visiting Grant	Health and Human Services, U.S. Department of	93.870		1,207,593	1,026,240
COVID-19 Maternal, Infant, & Early Childhood Home Visiting Grant	Health and Human Services, U.S. Department of	93.870		151,828	147,260
Total Maternal, Infant, & Early Childhood Home Visiting Grant				1,359,421	1,173,500
Cancer Prevention & Control Programs for State, Territorial & Tribal Organization	Health and Human Services, U.S. Department of	93.898		2,204,582	492,855
Grants to States for Operation of State Offices of Rural Health	Health and Human Services, U.S. Department of	93.913		244,307	70,471
HIV Care Formula Grants	Health and Human Services, U.S. Department of	93.917		6,466,928	335,346
HIV Prevention Activities_Health Department Based	Health and Human Services, U.S. Department of	93.940		892,339	302,346
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	Health and Human Services, U.S. Department of	93.946		202,492	-
Block Grants for Community Mental Health Services	Health and Human Services, U.S. Department of	93.958		2,668,319	2,435,573
COVID-19 Block Grants for Community Mental Health Services	Health and Human Services, U.S. Department of	93.958		832,562	521,801
Total Block Grants for Community Mental Health Services				3,500,881	2,957,374
Block Grants for Prevention and Treatment of Substance Abuse	Health and Human Services, U.S. Department of	93.959		6,387,199	5,927,163
COVID-19 Block Grants for Prevention and Treatment of Substance Abuse	Health and Human Services, U.S. Department of	93.959		2,453,680	1,439,955
Total Block Grants for Prevention and Treatment of Substance Abuse				8,840,879	7,367,118

^ - 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 State Agency
For the Fiscal Year Ended June 30, 2023

State Agency/Program Title	Federal Agency	AL or Grant #		2023 Expenditures	2023 Subrecipients
Health and Human Services, Department of (Continued)					
Centers for Disease Control and Prevention's Collaboration with Academia to Strengthen Public Health	Health and Human Services, U.S. Department of	93.967		31,363	-
COVID-19 Centers for Disease Control and Prevention's Collaboration with Academia to Strengthen Public Health	Health and Human Services, U.S. Department of	93.967		83,758	82,500
Total Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health				115,121	82,500
Sexually Transmitted Diseases (STD) Prevention and Control Grants	Health and Human Services, U.S. Department of	93.977		348,802	17,709
COVID-19 Sexually Transmitted Diseases (STD) Prevention and Control Grants	Health and Human Services, U.S. Department of	93.977		1,124,995	1,095,271
Total Sexually Transmitted Diseases (STD) Prevention and Control Grants				1,473,797	1,112,980
Preventive Health and Health Services Block Grant	Health and Human Services, U.S. Department of	93.991		2,839,593	628,462
Maternal and Child Health Services Block Grant to the States	Health and Human Services, U.S. Department of	93.994		3,677,240	1,896,945
AmeriCorps State Commissions Support Grant	Corporation For National and Community Service	94.003		380,950	-
AmeriCorps State and National	Corporation For National and Community Service	94.006		1,537,405	1,524,953
Training and Technical Assistance	Corporation For National and Community Service	94.009		111,347	-
Total Department of Health and Human Services			$	3,839,741,960	181,283,130
Historical Society					
Cultural Resources Management	Interior, U.S. Department of the	15.511	$	542	-
Historic Preservation Fund Grants-In-Aid	Interior, U.S. Department of the	15.904		896,233	131,919
Cultural Resources Management	Interior, U.S. Department of the	15.946		6,500	-
National Leadership Grants	Institute of Museum and Library Services	45.312		67,739	-
Total Historical Society			$	971,014	131,919
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	$	298,065	172,170
Medicare Enrollment Assistance Program	Health and Human Services, U.S. Department of	93.071		258,728	93,931
State Health Insurance Assistance Program	Health and Human Services, U.S. Department of	93.324		473,291	195,903
The State Flexibility to Stabilize the Market Grant Program	Health and Human Services, U.S. Department of	93.413		182,331	-
Total Department of Insurance			$	1,212,415	462,004
Labor, Department of					
Labor Force Statistics	Labor, U.S. Department of	17.002	$	718,545	-
Employment Service Cluster:					
Employment Service/Wagner-Peyser Funded Activities	Labor, U.S. Department of	17.207		5,047,535	1,406,355
Jobs for Veterans State Grants	Labor, U.S. Department of	17.801		920,120	-
Total Employment Service Cluster				5,967,655	1,406,355

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

State Agency/Program Title	Federal Agency	AL or Grant #		2023 Expenditures	2023 Subrecipients
Labor, Department of (Continued)					
Unemployment Insurance - Federal	Labor, U.S. Department of	17.225		416,382	-
COVID-19 Unemployment Insurance - Federal	Labor, U.S. Department of	17.225		375,184	-
Total Unemployment Insurance - Federal				791,566	-
Unemployment Insurance - State	Labor, U.S. Department of	17.225		60,374,819	-
Unemployment Insurance - Admin	Labor, U.S. Department of	17.225		12,586,612	-
Unemployment Insurance - Admin Reed Act	Labor, U.S. Department of	17.225		626,120	-
COVID-19 Unemployment Insurance - Admin	Labor, U.S. Department of	17.225		650,057	-
Total Unemployment Insurance - Admin				13,862,789	-
Total Unemployment Insurance				75,029,174	-
Senior Community Service Employment Program	Labor, U.S. Department of	17.235		517,158	-
Trade Adjustment Assistance	Labor, U.S. Department of	17.245		513,112	-
WIOA Cluster:					
WIOA Adult Program	Labor, U.S. Department of	17.258		2,611,983	1,696,109
WIOA Youth Activities	Labor, U.S. Department of	17.259		3,842,025	2,406,116
WIOA Dislocated Worker Formula Grants	Labor, U.S. Department of	17.278		3,158,441	1,602,807
Total WIOA Cluster				9,612,449	5,705,032
Work Opportunity Tax Credit Program (WOTC)	Labor, U.S. Department of	17.271		489,636	-
Temporary Labor Certification for Foreign Workers	Labor, U.S. Department of	17.273		144,492	-
Apprenticeship USA Grants	Labor, U.S. Department of	17.285		8,119	-
Consultation Agreements	Labor, U.S. Department of	17.504		597,676	-
COVID-19 Education Stabilization Fund - Governor's Emergency Education Relief Fund (GEER II)	Education, U.S. Department of	84.425C		256,757	215,607
Total Department of Labor			$	93,854,773	7,326,994
Law Enforcement and Criminal Justice, Commission for					
Sexual Assault Services Formula Program	Justice, U.S. Department of	16.017	$	310,011	306,739
COVID-19 Coronavirus Emergency Supplemental Fund Program	Justice, U.S. Department of	16.034		394,732	393,486
Juvenile Justice and Delinquency Prevention	Justice, U.S. Department of	16.540		15,954	-
State Justice Statistics Program for Statistical Analysis Centers	Justice, U.S. Department of	16.550		133,436	-
Crime Victim Assistance	Justice, U.S. Department of	16.575		12,894,873	11,333,525
Crime Victim Compensation	Justice, U.S. Department of	16.576		210,176	-
Crime Victim Assistance/Discretionary Grants	Justice, U.S. Department of	16.582		211,996	191,045
Violence Against Women Formula Grants	Justice, U.S. Department of	16.588		1,271,385	1,170,748
Residential Substance Abuse Treatment for State Prisoners	Justice, U.S. Department of	16.593		94	-

^ - Amounts taken from financial status reports
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STATE OF NEBRASKA
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State Agency/Program Title	Federal Agency	AL or Grant #		2023 Expenditures	2023 Subrecipients
Law Enforcement and Criminal Justice, Commission for (Continued)					
Edward Byrne Memorial Justice Assistance Grant Program	Justice, U.S. Department of	16.738		966,940	658,060
Total Commission for Law Enforcement and Criminal Justice			$	16,409,597	14,053,603
Library Commission					
Grants to States	Institute of Museum and Library Services	45.310	$	1,569,214	-
COVID-19 Grants to States	Institute of Museum and Library Services	45.310		109,173	-
Total Grants to States				1,678,387	-
National Leadership Grants	Institute of Museum and Library Services	45.312		(1,752)	-
Total Library Commission			$	1,676,635	-
Military Department					
Military Construction, National Guard	Defense, U.S. Department of	12.400	$	17,915,612	-
National Guard Military Operations and Maintenance (O&M) Projects	Defense, U.S. Department of	12.401		34,942,541	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	Transportation, U.S. Department of	20.703		190,259	8,467
COVID-19 Coronavirus Relief Fund	Treasury, U.S. Department of the	21.019		82,277	-
COVID-19 Emergency Rental Assistance	Treasury, U.S. Department of the	21.023		8,191,832	-
COVID-19 Homeowner Assistance Fund	Treasury, U.S. Department of the	21.026		28,572,142	-
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	Treasury, U.S. Department of the	21.027		201,770,461	61,460,101
COVID-19 Coronavirus Capital Projects Fund	Treasury, U.S. Department of the	21.029		79,841	-
Urban Areas Security Init (Non-Profit Security Program)	Homeland Security, U.S. Department of	97.008		696,925	689,787
Homeland Security Grant Program	Homeland Security, U.S. Department of	97.067		3,512,728	2,418,320
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Homeland Security, U.S. Department of	97.036		60,612,351	59,363,597
COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Homeland Security, U.S. Department of	97.036		19,602,181	18,209,155
Total Disaster Grants - Public Assistance (Presidentially Declared Disasters)				80,214,532	77,572,752
Hazard Mitigation Grant	Homeland Security, U.S. Department of	97.039		7,980,764	7,808,321
COVID-19 Hazard Mitigation Grant	Homeland Security, U.S. Department of	97.039		173,743	100,349
Total Hazard Mitigation Grant				8,154,507	7,908,670
Emergency Management Performance Grants	Homeland Security, U.S. Department of	97.042		4,051,898	2,702,994
COVID-19 Emergency Management Performance Grants	Homeland Security, U.S. Department of	97.042		436,437	267,003
Total Emergency Management Performance Grants				4,488,335	2,969,997
BRIC: Building Resilient Infrastructure and Communities	Homeland Security, U.S. Department of	97.047		366,995	366,995
Total Military Department			$	389,178,987	153,395,089

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

State Agency/Program Title	Federal Agency	AL or Grant #		2023 Expenditures	2023 Subrecipients
Motor Vehicles, Department of					
Commercial Driver's License Program Implementation Grant	Transportation, U.S. Department of	20.232	$	27,896	-
Total Department of Motor Vehicles			$	27,896	-
Natural Resources, Department of					
Community Assistance Program State Support Services Element (CAP-SSSE)	Homeland Security, U.S. Department of	97.023	$	161,708	-
National Dam Safety Program	Homeland Security, U.S. Department of	97.041		185,066	-
Cooperating Technical Partners	Homeland Security, U.S. Department of	97.045		1,475,539	-
Total Department of Natural Resources			$	1,822,313	-
Oil and Gas Commission					
Energy Community Revitalization Program	Interior, U.S. Department of the	15.018	$	3,286,107	-
Multipurpose Grant to States and Tribe	Environmental Protection Agency, U.S.	66.204		6,506	-
State Underground Water Source Protection	Environmental Protection Agency, U.S.	66.433		71,952	-
Total Oil and Gas Commission			$	3,364,565	-
Pardons, Board of					
Second Chance Act Reentry Initiative	Justice, U.S. Department of	16.812	$	44,709	-
Justice Reinvestment Initiative	Justice, U.S. Department of	16.827		172,570	-
Total Board of Pardons			$	217,279	-
Secretary of State					
2018 HAVA Election Security Grants	Election Assistance Commission, U.S.	90.404	$	753,903	104,306
Total Secretary of State			$	753,903	104,306
State Patrol					
Just Juvenile Justice & Delinquency	Justice, U.S. Department of	16.542	$	2,754	-
Missing Children's Assistance	Justice, U.S. Department of	16.543		402,993	-
National Criminal History Improvement Program (NCHIP)	Justice, U.S. Department of	16.554		2,890,430	680,703
DNA Backlog Reduction Program	Justice, U.S. Department of	16.741		702,748	-
Paul Coverdell Forensic Sciences Improvement Grant Program	Justice, U.S. Department of	16.742		428,199	-
Support for Adam Walsh Act Implementation Grant Program	Justice, U.S. Department of	16.750		210,179	-

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

State Agency/Program Title	Federal Agency	AL or Grant #		2023 Expenditures	2023 Subrecipients
State Patrol (Continued)					
NICS Act Record Improvement Program	Justice, U.S. Department of	16.813		1,090,160	124,975
Equitable Sharing Program	Justice, U.S. Department of	16.922		320,444	-
Federal Equitable Sharing Program: Public Safety Cash DOJ	Justice, U.S. Department of	16.922		521,062	-
Federal Equitable Sharing Program: Public Safety Cash Treasury	Justice, U.S. Department of	16.922		59,104	-
Total Federal Equitable Sharing Program				900,610	-
DEA Grants	Justice, U.S. Department of	16.U01		13,157	-
FMCSA Cluster:					
Motor Carrier Safety Assistance	Transportation, U.S. Department of	20.218		3,665,387	-
Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	Transportation, U.S. Department of	20.237		30	-
Total FMSCA Cluster				3,665,417	-
High Intensity Drug Trafficking Areas Program	Executive Office of the President	95.001		1,191,592	780,769
Total State Patrol			$	11,498,239	1,586,447
Supreme Court, Nebraska					
Edward Byrne Memorial Justice Assistance Grant Program	Justice, U.S. Department of	16.738	$	104,835	-
Justice Reinvestment Initiative	Justice, U.S. Department of	16.827		155,558	-
State Court Improvement Program	Health and Human Services, U.S. Department of	93.586		428,075	-
COVID-19 State Court Improvement Program	Health and Human Services, U.S. Department of	93.586		88,575	-
Total State Court Improvement Program				516,650	-
Total Nebraska Supreme Court			$	777,043	-
Nebraska Tourism Commission					
Economic Development Cluster:					
Economic Adjustment Assistance	Commerce, U.S. Department of	11.307	$	29,941	-
Total Nebraska Tourism Commission			$	29,941	-
Transportation, Department of					
Airport Improvement Program	Transportation, U.S. Department of	20.106	$	24,986,915	24,673,424
COVID-19 Airport Improvement Program	Transportation, U.S. Department of	20.106		7,329,143	7,329,143
Total Airport Improvement Program				32,316,058	32,002,567
Highway Research and Development Program	Transportation, U.S. Department of	20.200		469,950	-
Highway Planning and Construction	Transportation, U.S. Department of	20.205		440,631,074	27,557,642
COVID-19 Highway Planning & Construction	Transportation, U.S. Department of	20.205		28,644,863	767,491
Total Highway Planning & Construction				469,275,937	28,325,133

^ - 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 State Agency
For the Fiscal Year Ended June 30, 2023

State Agency/Program Title	Federal Agency	AL or Grant #		2023 Expenditures	2023 Subrecipients
Transportation, Department of (Continued)					
Highway Training and Education	Transportation, U.S. Department of	20.215		8,675	-
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	Transportation, U.S. Department of	20.505		658,252	658,252
Formula Grants for Rural Areas and Tribal Transit Program	Transportation, U.S. Department of	20.509		12,301,564	9,202,739
COVID-19 Formula Grants for Rural Areas and Tribal Transit Program	Transportation, U.S. Department of	20.509		1,771,554	1,771,554
Total Formula Grants for Rural Areas				14,073,118	10,974,293
Transit Services Programs Cluster:					
Enhanced Mobility of Seniors and Individuals with Disabilities	Transportation, U.S. Department of	20.513		774,060	774,060
Highway Safety Cluster:					
State and Community Highway Safety	Transportation, U.S. Department of	20.600		3,798,862	2,957,012
Incentive Grant Program to Prohibit Racial Profiling	Transportation, U.S. Department of	20.611		91,677	91,677
National Priority Safety Programs	Transportation, U.S. Department of	20.616		2,607,242	1,743,419
Total Highway Safety Cluster				6,497,781	4,792,108
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	Transportation, U.S. Department of	20.614		75,313	-
National Infrastructure Investments	Transportation, U.S. Department of	20.933		18,344,985	3,874,160
Federal Lands Highway Program	Transportation, U.S. Department of	20.U01		16,142	-
Total Department of Transportation			$	542,510,271	81,400,573
Veterans' Affairs, Department of					
Grants to States for Construction of State Home Facilities	Veterans Affairs, U.S. Department of	64.005	$	1,883,003	-
Veterans State Domiciliary Care	Veterans Affairs, U.S. Department of	64.014		1,547,097	-
Veterans State Nursing Home Care	Veterans Affairs, U.S. Department of	64.015		21,960,018	-
Total Department of Veterans' Affairs			$	25,390,118	-
Worker's Compensation Court					
Compensation and Working Conditions	Labor, U.S. Department of	17.005	$	44,969	-
Total Worker's Compensation Court			$	44,969	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			$	5,676,308,011	1,057,506,488

^ - Amounts taken from financial status reports
See Accompanying notes to the Schedule 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, 2023.

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 Assistance Listings (AL) on https://sam.gov 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). The amounts for DHHS 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, 2023, the inventory balance of nonmonetary assistance for food commodities at the State level was $0.

(4) Commodity and Vaccine Programs

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

AL #	Program	Commodities
10.555	National School Lunch Program	$18,831,900
10.558	Child and Adult Care Food Program	207,250
10.565	Commodity Supplemental Food Program	1,868,555
10.569	Emergency Food Assistance Program	4,838,061

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 $8,108,013 was delivered directly to subrecipients.

The Immunization Cooperative Agreements (AL 93.268) included expenditures of $26,281,839 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 (AL 39.003) program. Donated Federal surplus personal property in 2023 was valued at the historical cost of $4,138,157 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.

AL #	Program	Outstanding Balance at June 30, 2023
66.458	Capitalization Grants for Clean Water State Revolving Funds	$258,770,924
66.468	Capitalization Grants for Drinking Water State Revolving Funds	$107,639,135

New loans provided from these programs totaling $26,556,474 are included as current year expenditures on the Schedule.

(7) Airport Improvement Program

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

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

AUDITOR SECTION

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NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller of the United States (*Government Auditing Standards*), 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, 2023, 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 13, 2023.

Our report includes a reference to other auditors who audited the financial statements of the University of Nebraska Foundation, the University of Nebraska Facilities Corporation, the University Technology Development Corporation, the University Dental Associates, the UNeHealth, the UNMC Science Research Fund, the Nebraska Utility Corporation, the Nebraska State College System Foundations, the Nebraska State Colleges Facilities Corporation, the activity of the Nebraska State College System Revenue and Refunding Bond Program, the College Savings Plan and the Enable Savings Plan, as described in our report on the State of Nebraska's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the University of Nebraska Foundation, the University of Nebraska Facilities Corporation, the University Technology Development Corporation, the University Dental Associates, the UNeHealth, the UNMC Science Research Fund, the Nebraska Utility Corporation, the Nebraska State College System Foundations, the Nebraska State College System Revenue and Refunding Bond Program and the Nebraska State Colleges Facilities Corporation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with these entities or that are reported on separately by those auditors who audited the financial statements of these entities.

Report on Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the State of Nebraska's internal control over financial reporting (internal control) 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified 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 2023-001, 2023-002, 2023-009, 2023-013, 2023-014, 2023-015, 2023-018, and 2023-020 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 2023-003, 2023-004, 2023-005, 2023-006, 2023-007, 2023-008, 2023-010, 2023-011, 2023-012, 2023-016, 2023-017, and 2023-019 to be significant deficiencies.

Report on Compliance and Other Matters

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

We 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

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 audit performed in accordance with *Governmental Auditing Standards* in considering the State of Nebraska's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kris Kucera

Lincoln, Nebraska	Kris Kucera, CPA, CFE
December 13, 2023	Assistant Deputy Auditor

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Adverse, Qualified, and Unmodified Opinions

We have audited the State of Nebraska's compliance with the types of compliance requirements identified as subject to audit 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, 2023. The State of Nebraska's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Adverse Opinion on Refugee and Entrant Assistance State/Replacement Designee Administered Programs and Coronavirus State and Local Fiscal Recovery Funds

In our opinion, because of the significance of the matters discussed in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the State of Nebraska did not comply in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Refugee and Entrant Assistance State/Replacement Designee Administered Programs and Coronavirus State and Local Fiscal Recovery Funds for the year ended June 30, 2023.

Qualified Opinion on Foster Care Title IV-E, CCDF Cluster, Adoption Assistance, Unemployment Insurance, and Emergency Rental Assistance

In our opinion, except for the noncompliance described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the State of Nebraska complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Foster Care Title IV-E, CCDF Cluster, Adoption Assistance, Unemployment Insurance, and Emergency Rental Assistance for the year ended June 30, 2023.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the State of Nebraska complied, in all material respects, with the 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 auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2023.

Basis for Adverse, Qualified, and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the State of Nebraska and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse, qualified, and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the State of Nebraska's compliance with the compliance requirements referred to above.

Matters Giving Rise to Adverse Opinion on Refugee and Entrant Assistance State/Replacement Designee Administered Programs and Coronavirus State and Local Fiscal Recovery Funds

As described in Findings 2023-041 and 2023-061 in the accompanying schedule of findings and questioned costs, the State of Nebraska did not comply with requirements regarding the following:

Finding #	AL #	Federal Program	Compliance Requirement
2023-041	93.566	Refugee and Entrant Assistance	Allowability & Subrecipient Monitoring
2023-061	21.027	Coronavirus State and Local Fiscal Recovery Funds	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.

Matters Giving Rise to Qualified Opinion on Foster Care Title IV-E, CCDF Cluster, Adoption Assistance, Unemployment Insurance, and Emergency Rental Assistance

As described in Findings 2023-032, 2023-043, 2023-049, 2023-056, and 2023-058 in the accompanying schedule of findings and questioned costs, the State of Nebraska did not comply with requirements regarding the following:

Finding #	AL #	Federal Program	Compliance Requirement
2023-032	93.658	Foster Care Title IV-E	Allowable Costs
2023-043	93.575, 93.596	CCDF Cluster	Allowability & Eligibility
2023-049	93.659	Adoption Assistance	Reporting
2023-056	17.225	Unemployment Insurance	Allowability & Eligibility
2023-058	21.023	Emergency Rental Assistance	Allowability, Eligibility, & Period of Performance

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

Other Matter — Federal Expenditures Not Included in the Compliance Audit

The basic financial statements of the State of Nebraska include the operations of the University of Nebraska and State College System component units, which expended Federal awards which are not included in the State of Nebraska's schedule of expenditures of Federal awards during the year ended June 30, 2023. Our compliance audit, described in the "Report on Compliance for Each Major Federal Program," 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.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the State of Nebraska's Federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the State of Nebraska's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the State of Nebraska's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the State of Nebraska's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- obtain an understanding of the State of Nebraska's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the State of Nebraska's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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 #	AL #	Federal Program	Compliance Requirement
2023-021	Various, 93.778, 93.563	Various, Medical Assistance Program, Child Support Enforcement	Allowable Costs
2023-022	Various, 93.558, 93.575, 93.596	Various, TANF, CCDF Cluster	Reporting
2023-023	14.228	Community Development Block Grants	Reporting
2023-024	10.553, 10.555, 10.556, 10.559, 10.582	Child Nutrition Cluster	Reporting
2023-025	10.555	National School Lunch Program	Allowability
2023-026	84.027, 84.173, 84.425D, 84.425U	Special Education Cluster, Education Stabilization Fund	Subrecipient Monitoring
2023-027	84.287	Twenty-First Century Community Learning Centers	Subrecipient Monitoring
2023-028	84.425U	Education Stabilization Fund (ARP ESSER)	Reporting
2023-029	93.558, 93.563, 93.568, 93.575, 93.658, 93.778, 10.561	TANF, Child Support Enforcement, LIHEAP, Child Care, Foster Care, Medicaid, SNAP	Allowable Costs
2023-030	Various, 93.778	Various, Medical Assistance Program	Allowable Costs
2023-031	93.268, 93.323, 93.558, 93.563, 93.778	Immunization, Epidemiology & Laboratory Capacity, TANF, Child Support Enforcement, Medicaid	Allowable Costs
2023-032	10.561, 93.659	SNAP, Adoption Assistance	Allowable Costs
2023-033	93.069, 93.889	HPP and PHEP Cluster	Allowability & Subrecipient Monitoring
2023-034	93.069, 93.889	HPP and PHEP Cluster	Matching & Reporting
2023-035	93.323	Epidemiology & Laboratory Capacity	Allowability & Subrecipient Monitoring
2023-036	93.558	Temporary Assistance for Needy Families	Allowability & Eligibility
2023-037	93.558	Temporary Assistance for Needy Families	Allowability & Eligibility

Finding #	AL #	Federal Program	Compliance Requirement
2023-038	93.558	Temporary Assistance for Needy Families	Reporting
2023-039	93.558	Temporary Assistance for Needy Families	Allowability & Subrecipient Monitoring
2023-040	93.566	Refugee and Entrant Assistance	Allowability & Eligibility
2023-042	93.568	Low-Income Home Energy Assistance	Reporting
2023-044	93.575, 93.596	CCDF Cluster	Special Tests
2023-045	93.575	Child Care and Development Block Grant	Period of Performance
2023-046	93.575	Child Care and Development Block Grant	Allowability
2023-047	93.658	Foster Care Title IV-E	Reporting
2023-048	93.658	Foster Care Title IV-E	Allowability
2023-050	93.778	Medical Assistance Program	Allowability
2023-051	93.778	Medical Assistance Program	Allowability & Eligibility
2023-052	93.778	Medical Assistance Program	Special Tests
2023-053	93.767, 93.778	CHIP, Medical Assistance Program	Special Tests
2023-054	93.778	Medical Assistance Program	Special Tests
2023-055	93.778	Medical Assistance Program	Special Tests
2023-057	12.401	National Guard Operations	Cash Management & Reporting
2023-059	21.026	Homeowner Assistance Fund	Subrecipient Monitoring
2023-060	21.026	Homeowner Assistance Fund	Allowability
2023-062	21.027	Coronavirus State and Local Fiscal Recovery Funds	Reporting
2023-063	97.036	Disaster Grants	Subrecipient Monitoring
2023-064	97.036	Disaster Grants	Reporting
2023-065	20.509	Formula Grants for Rural Areas	Allowability & Subrecipient Monitoring
2023-066	20.509	Formula Grants for Rural Areas	Subrecipient Monitoring

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

The State of Nebraska is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The State of Nebraska's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not 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 2023-032, 2023-041, 2023-043, 2023-049, 2023-056, 2023-058, and 2023-061 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 2023-022, 2023-024, 2023-028, 2023-029, 2023-030, 2023-031, 2023-033, 2023-036, 2023-037, 2023-040, 2023-045, 2023-046, 2023-047, 2023-050, 2023-051, 2023-052, 2023-057, 2023-063, and 2023-065 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

The State of Nebraska is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The State of Nebraska's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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

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

We have audited the financial statements of the 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, 2023, and the related notes to the financial statements, which collectively comprise the State of Nebraska's basic financial statements. We issued our report thereon, dated December 13, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Pat Reding

Lincoln, Nebraska
March 20, 2024

Pat Reding, CPA, CFE
Assistant Deputy Auditor

STATE OF NEBRASKA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

I. Summary of Auditor's Results

a) Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

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 2023-003, 2023-004, 2023-005, 2023-006, 2023-007, 2023-008, 2023-010, 2023-011, 2023-012, 2023-016, 2023-017, and 2023-019. Items 2023-001, 2023-002, 2023-009, 2023-013, 2023-014, 2023-015, 2023-018, and 2023-020 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 2023-022, 2023-024, 2023-028, 2023-029, 2023-030, 2023-031, 2023-033, 2023-036, 2023-037, 2023-040, 2023-045, 2023-046, 2023-047, 2023-050, 2023-051, 2023-052, 2023-057, 2023-063, and 2023-065.

   We consider items 2023-032, 2023-041, 2023-043, 2023-049, 2023-056, 2023-058, and 2023-061 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 Foster Care Title IV-E, CCDF Cluster, Adoption Assistance, Unemployment Insurance, and Emergency Rental Assistance which were qualified, and Refugee and Entrant Assistance State/Replacement Designee Administered Programs and Coronavirus State and Local Fiscal Recovery Funds, and 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:

AL	10.553, 10.555, 10.556, 10.559 and 10.582	Child Nutrition Cluster
AL	10.558	Child and Adult Care Food Program
AL	12.401	National Guard Military Operations and Maintenance (O&M) Projects
AL	14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
AL	17.225	Unemployment Insurance
AL	20.509	Formula Grants for Rural Areas and Tribal Transit Program
AL	21.023	Emergency Rental Assistance

AL	21.026	Homeowner Assistance Fund
AL	21.027	Coronavirus State and Local Fiscal Recovery Funds
AL	64.015	Veterans State Nursing Home Care
AL	84.027 and 84.173	Special Education Cluster (IDEA)
AL	84.425C, 84.425D, 84.425R, 84,425U, 84.425V and 84.425W	Education Stabilization Fund
AL	93.069 and 93.889	Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements Cluster
AL	93.268	Immunization Cooperative Agreements
AL	93.323	Epidemiology & Laboratory Capacity for Infectious Diseases
AL	93.558	Temporary Assistance for Needy Families
AL	93.563	Child Support Enforcement
AL	93.566	Refugee and Entrant Assistance State/Replacement Designee Administered Programs
AL	93.575 and 93.596	CCDF Cluster
AL	93.658	Foster Care Title IV-E
AL	93.659	Adoption Assistance
AL	93.775, 93.777 and 93.778	Medicaid Cluster
AL	97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

h) Dollar threshold used to distinguish between Type A and Type B programs: $17,028,924

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

II. Findings Related to the Financial Statements:

DEPARTMENT OF ADMINISTRATIVE SERVICES

Finding 2023-001

Annual Comprehensive Financial Report (ACFR) Preparation Issues

The Department of Administrative Services – State Accounting (State Accounting) is responsible for the preparation and accuracy of the ACFR. As noted in prior years, the APA has identified many inaccurate entries – both by State Accounting and other agencies – leading to the conclusion that State Accounting lacks adequate controls to ensure the accuracy of the entries prior to their submission to the Auditor of Public Accounts (APA) for audit. As a result, State Accounting materially misstated financial statement entries and footnote disclosures, requiring significant adjustments, revisions, and additional time to complete the audit procedures.

The table below summarizes over $684 million in required adjustments to the financial statements and over $276 million in related footnote adjustments:

Type of Error	Dollar Error
Agency Errors	$ 422,697,546
State Accounting Errors	210,333,841
Unemployment Insurance Fund Issues – See Finding 2023-002	24,409,108
Capital Asset Accounting Errors	27,551,043
Total Financial Statement Adjustments	**$ 684,991,538**
Total Footnote Errors	**$ 276,105,744**
Total Errors	**$ 961,097,282**

Total Financial Statement Adjustments

Please refer to the **Supplementary Table, at the end of this finding**, for details regarding 61 financial statement adjustments, totaling $684,991,538, that were identified by the APA and recorded by State Accounting to ensure the financial statements were materially correct. This is in comparison to fiscal year 2022, when the APA identified 50 financial statement adjustments totaling $536,500,055.

The **Supplementary Table** also identifies which adjustments had been reported in the prior audit as well. In total, 26 of the 61 adjustments, totaling $393,813,510 were related to issues reported in the prior audit and were not corrected.

Total Footnote Errors

The following table explains the $276,105,744 in footnote errors found in State Accounting's preparation of the required footnote disclosures to the financial statements.

Footnote	Description	Dollar Errors
#2 Deposits and Investments Portfolio	The APA found a few different issues with Footnote #2, as noted below: • The foreign currency disclosure for both the governmental and business-type activities and the fiduciary fund incorrectly included two separate, distinct currencies as one item. A total of $4,000 in adjustments were needed to split the foreign currency in the governmental and business-type activities. Then, $217,562,000 in adjustments were needed to split the foreign currency in the fiduciary fund. • An increase in in the fair value of investments of the State and County Employees' Retirement Plans was incorrectly reported as $5,720,577, when the actual increase was only $232,130 – a difference of $5,488,447. • Derivative instruments are required to be shown as governmental activities and business-type activities. The State pools many of its funds for investing, so it must allocate investment activity to the various State funds. State Accounting used an unreasonable method to allocate the derivative instruments between governmental activities and business type activities. A total of $943,519 in adjustments were made to the footnote. • State Accounting failed to disclose the State's policy related to interest rate risk, which is required by accounting standards. • State Accounting's disclosures related to concentration risk and durations were inaccurate.	$ 223,997,966
#3 Receivables	The Department of Health and Human Services (DHHS) calculation of the Medicaid Drug Rebate (MDR) Allowance for Doubtful Accounts was incorrect because it included $44,835,005 that had been received already by the State. This error required an adjustment to the footnote disclosures in the financial statements.	44,835,005
#4 Capital Assets	State Accounting made several errors to the Construction Commitments portion of the Capital Asset footnote because State agencies incorrectly reported construction-in-progress projects and also for the inclusion of a project that was not entered into until July 2023.	6,496,773
#7 Noncurrent Liabilities	State Accounting made errors in the Noncurrent Liability footnote related to the Business-type Activities, Unemployment Insurance Claims Payable increases and decreases, causing both to be understated by $388,000. This then caused the Totals for Business-type Activities line amounts for these items also to be incorrect by the same amounts.	776,000
	Total	**$ 276,105,744**

Additional Errors Not Requiring Formal Adjustments

The APA also found several other errors related to State Accounting's processes for the preparation of the ACFR. Although formal adjustments may not have been made, these are included to show the reliability of this process.

Description	Dollar Amount
In preparing the Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position, State Accounting incorrectly included $8,627,286 in subscription-based information technology arrangement (SBITA) liabilities in the accumulated depreciation line instead of the proper liability line.	$ 8,627,286
The NDNR paid $5,408,652 for two projects from the Water Sustainability Fund during fiscal year 2023 that should have been accounted for as prior fiscal year expenditures. The APA proposed an adjustment to the State's financial statements to correct the incorrect accounting of these expenditures. These amounts were not adjusted by State Accounting.	5,408,652

Description	Dollar Amount
State Accounting accrued 100% of the payroll paid on July 12, 2023, as a fiscal year 2023 expense. However, the pay period was from June 19, 2023, to July 2, 2023, and included two days in fiscal year 2024. Even though the two dates fell on the weekend, various agency's employees work in 24-hour facilities. The time worked on the two July dates should not have been included in the accrual. There was $1,159,947 in payroll costs for those July 2023 dates.	1,159,947
State Accounting failed to correct and reconcile the imprest payroll liability accounts to ensure the accuracy of the accounts. We noted the following:	
• State withholding taxes of $1,345,775 for the May 2023 third biweekly payroll were not paid out until August 2023, after the APA's inquiry.	1,345,775
• State Accounting recorded amounts in two liability accounts and then made payments from two other different liability accounts, causing variances totaling $608,014.	608,014
• State Accounting failed to reconcile the employee and employer Social Security tax withholdings accounts, resulting in a net variance of $15,699 between the two accounts.	15,699
• State Accounting failed to correct a processing issue from fiscal year 2022 related to the transfer of retirement contributions, creating a debit to one liability account and a credit a different liability account for $4,122,154.	4,122,154
During review of lease entries performed by State Accounting, the following issues were noted:	
• State Accounting failed to perform a review of the general ledger for rent expense and rent income accounts to ensure all potential leases required to be reported in the financial statements under GASB Statement 87 were properly identified. Instead, it relied on agency reporting on accrual response forms for identification of all leases. When the APA performed a limited review of these accounts, we found two leases that should have been reported but were not included. This resulted in the ending lease receivable amount being understated by $87,495 and the beginning lease receivable amount being understated by $21,702.	109,197
• One lease was amended in April 2023 and should have been remeasured at that time. However, State Accounting did not remeasure the lease until August 2023, resulting in an understatement of the lease liability and right-to-use asset balance of approximately $9,000 for fiscal year 2023.	18,000
One $606,203 fund balance was duplicated incorrectly as a payable to the Federal government, resulting in an incorrect payable in the General Fund.	606,203
State Accounting records various government-wide journal entries for activity that is not recorded in the accounting system. During our review of these entries, we noted the following:	
• State Accounting incorrectly included certain DHHS receivables as long-term payables.	264,138
• State Accounting incorrectly included $214,000 as Proceeds – Other Financing instead of as the Proceeds – Capital Leases.	214,000
• State Accounting recorded an incorrect amount to reclassify revenues, resulting in a variance of $63,000.	63,000
State Accounting's June 30, 2023, bank reconciliation contained variances between account balances in the accounting system and the amounts recorded on the reconciliation, unresolved unapplied cash transactions ranging from 1-20 years old, and other reconciling items dating back to 2012 that have not been adequately reviewed or resolved. The total amount for these items was $186,197.	186,197
State Accounting did not advise Omaha Public Schools that its actuarial report on the Omaha School Employees Retirement Systems used a measurement date that was not compliant with Governmental Accounting Standards Board (GASB) Number 68. OSERS failed to consult with the State on the change in the measurement date. As a result, the actuarial report had to be revised.	N/A

A proper system of internal controls requires procedures to ensure accurate reporting of financial information in the accounting system and directly to State Accounting. As seen throughout this comment, a lack of such procedures increases the risk of material financial statement errors going undetected. The absence of procedures also increases the audit time required to ensure the financial statements are materially correct.

Despite similar findings being reported in the prior year ACFRs, the number of errors, as well as the significant dollar amount of those errors, both individually and aggregately, demonstrate that State Accounting still needs to improve its controls and processes to ensure the accurate and timely presentation of the ACFR.

We recommend State Accounting review and, as needed, improve its procedures for ensuring the accurate and timely preparation of the State's financial statements. Those procedures should include the following:

- The proper resolution of all prior year financial statement errors;
- A proper review of entries and transactions processed or provided by other State agencies for accuracy prior to submission to the APA for audit, including a detailed review of prior issues and new items; and
- The implementation of proper training and better accounting resources for State agencies in order to provide reliable financial information.

DAS Response: We continue to strive for year-over-year reduction of errors and repeat findings. We will continue to work with agencies to address findings noted during the current audit period to improve reporting and accounting procedures.

Supplementary Table

Item #	Description	Dollar Error	Category	Prior Audit Finding?
1	DHHS incorrectly reported the fiscal year 2022 intergovernmental receivable for the Children's Health Insurance Program (CHIP), which required a $59,283,758 adjustment to the fiscal year 2023 financial statements.	$ 59,283,758	Agency Errors	Yes
2	DHHS incorrectly recorded journal entries related to the Home and Community Based Services (HCBS) Cash Fund. The entries originally reduced expenditures in the HCBS Cash Fund and increased expenditures in the Federal Fund. However, the original expenses were not recorded in the HCBS Cash Fund, so the expenditures in that fund were not properly stated. The $47,172,798 adjusting entry was for fiscal year 2022 expenditures. After our discussion of this error, State Accounting made an additional entry to correct the fiscal year 2023 expenditures by $18,190,209 before a formal adjustment was proposed.	47,172,798	Agency Errors	No
3	Under an agreement with DHHS, the University of Nebraska Medical Center (UNMC) returns most of its disproportionate share hospital (DSH) payments to the DHHS. In June 2023, UNMC returned $19,259,295 for the fiscal year 2022 DSH payment. DHHS incorrectly recorded the receipt to one of its cash funds, instead of to the General Fund, and also failed to identify a prior year accrual. Because of the two different errors, the net effect of the error was doubled.	38,518,590	Agency Errors	Yes
4	Several Federal fund transactions processed by the Nebraska Military Department (Military) from October 2022 to June 2023 were recorded as fiscal year 2023 activity, but the transactions were for prior to fiscal year 2023.	35,094,054	Agency Errors	Yes
5	On September 22, 2023, DHHS processed three journal entries to change the funding source of various prior expenditures. In the accounting system, DHHS identified the entries as prior-period transactions. Therefore, the expenses and funding changes were recorded as fiscal year 2023 activity. However, in our review of the entries, much of the activity was determined to be for periods prior to fiscal year 2023 and, therefore, should not have been included in the fiscal year 2023 activity. DHHS failed to notify State Accounting of the amount that was for activity prior to fiscal year 2023, which should have been recorded as a beginning fund balance adjustment. The adjustment required for this improperly recorded activity was $24,715,610.	24,715,610	Agency Errors	Yes
6-7	Medicaid Estate Recovery was established by State and Federal law to recover costs of medical assistance paid by the Nebraska Medicaid Program from the estates of certain former Medicaid recipients. DHHS neglected to include unworked cases in its receivable calculation, resulting in $20,553,616 in adjustments to the fiscal year 2022 and 2023 activity.	20,553,616	Agency Errors	No

STATE OF NEBRASKA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Item #	Description	Dollar Error	Category	Prior Audit Finding?
8	Under an agreement with DHHS, UNMC returns most of its DSH payments to DHHS, which failed to record an accounts receivable for the fiscal year 2023 DSH payment that, as of June 30, 2023, had yet to be returned by UNMC. The receivable was calculated to be $20,228,161.	20,228,161	Agency Errors	Yes
9	The Nebraska Public Employees Retirement Systems (NPERS) incorrectly recorded certain transfers of assets from one record keeper to another as rollover contributions and disbursements from member accounts, rather than as transfers.	19,901,528	Agency Errors	No
10	The Nebraska Department of Transportation (NDOT) participates in road projects financed by Federal, State, and/or local entities. In some cases, local governments provide their share of the funding when the contract is awarded, which creates a liability for NDOT called "Deposits by Locals." In other cases, the local governments are billed for their share of the funding on a progress basis, and NDOT creates an accounts receivable called "Accounts Receivable from Locals." During its accumulation of these accruals, NDOT overstated each accrual by $19,079,795 due to the incorrect calculation of manual adjustments (adding instead of subtracting) made to the amounts reported from NDOT's system. This same mathematical error has occurred since fiscal year 2021.	19,079,795	Agency Errors	Yes
11	Several Federal fund transactions processed by the Military from July 2023 to September 2023 were recorded as fiscal year 2024 transactions, but the transactions were for prior to fiscal year 2023.	17,075,920	Agency Errors	Yes
12	NDOT has an accrual called "Accounts Receivable from Others," which includes receivables from local governments, railroads, other states, and individuals who have been billed for damages to State property. NDOT overstated this accrual by $16,119,546 because it was recorded as a receivable both in the State's accounting system and then again on the accrual response form submitted to State Accounting. Therefore, the receivable was recorded twice.	16,119,546	Agency Errors	Yes
13	The Nebraska Department of Revenue (NDOR) improperly recorded the lodging taxes to the State Highway Fund. The lodging taxes are distributed to counties and the State's Visitor Promotion Fund. A portion is maintained by NDOR for administrative fees. Therefore, those distributions should be recorded to an Other Special Revenue Fund, the Economic Development Fund, and the General Fund, respectively. Adjustments were needed to record the activity to the correct fund. NDOR's adjustments, which State Accounting posted to the State accounting system, were also incorrect. Additional corrections, totaling $14,185,375, were needed to correct the activity.	14,185,375	Agency Errors	No
14	The Attorney General recorded the receipt of legal settlement funds as "sales and charges" revenue instead of the proper "miscellaneous" revenue classification.	11,887,209	Agency Errors	No
15	Delinquent taxes are those for which a tax return has been filed, but the amount owed has yet to be remitted by the taxpayer. NDOR calculated an estimate of its delinquent taxes receivable. The APA found issues with the collectability percentages used and proposed adjustments, totaling $9,090,209.	9,090,209	Agency Errors	Yes
16	The DHHS DSH Pool 6 payments are one year behind, so an accounts payable is recorded for obligations not yet paid. DHHS incorrectly recorded the State-funded portion of the accrual, or $3,001,555, to the General Fund; however, it should have been recorded as a payable in the Health and Human Services Fund as that is the fund from which payments are made. The entry to correct the General Fund and to record payables properly in a cash fund had an effect of doubling the error amount. Because these amounts are expected to be returned, an accounts receivable for that same amount is in the Health and Human Services Fund is also necessary but was not prepared by DHHS.	9,004,666	Agency Errors	Yes
17-18	The Department of Insurance incorrectly recorded $4,660,195 of Excess Liability Fund premiums received in fiscal year 2023 as a revenue instead of unearned revenue, which is a liability account. These premiums were for fiscal year 2024 and, therefore, were not yet earned. Similarly, premiums, totaling $2,433,266, received in fiscal year 2022 were for fiscal year 2023.	7,093,461	Agency Errors	No
19	DHHS makes the DSH Pool 1-4 payments in arrears. The payments made in fiscal year 2023 were for fiscal years 2021 and 2022. DHHS failed to report a payable for the Pool 1-4 payments until fiscal year 2023. Therefore, an adjusting entry was needed to reflect properly the prior year payables that were not recorded.	6,596,843	Agency Errors	Yes
20	In January 2022, the Nebraska Medicaid State Plan was amended to include new funding for supplemental graduate medical education (GME) payments. For the fiscal year 2023 payable, DHHS made some mathematical errors in its calculation, which has a General Fund and Federal fund portion, resulting in $6,562,796 in adjustments to the financial statements.	6,562,796	Agency Errors	No
21	DHHS failed to record a receivable for the fiscal year 2023 the Child Support Enforcement (CSE) grant, resulting in $6,102,811 in required adjustments.	6,102,811	Agency Errors	Yes

Item #	Description	Dollar Error	Category	Prior Audit Finding?
22	NDOR improperly recorded nameplate capacity taxes to the State Highway Fund. The purpose of the nameplate capacity tax is to replace property taxes currently imposed on renewable energy infrastructure to distribute them completely to the counties in which the taxes were collected. The taxes should be recorded to an Other Special Revenue Fund. Therefore, adjustments were needed to record the activity to the correct fund. NDOR's adjustments, which State Accounting posted to the State accounting system, were also incorrect. Additional corrections, totaling $6,042,973, were needed to correct the activity.	6,042,973	Agency Errors	No
23	NDOR performed calculations to determine the amount of taxes receivable at fiscal year-end, which included a review of the subsequent July or August tax receipts to determine the amount attributed to tax months during fiscal year 2023. For corporate tax receipts, NDOR's calculation failed to include corporation income tax returns filed on Form 1120N. The APA also found an error related to a tax receipt of $99,500, which was related to September 2023 and should not have been in the receivable calculation. For individual income taxes receivable, NDOR failed to include significant receipts in July and August of 2023 from one tax category for tax periods prior to January 2023. For all tax types, NDOR failed to review adequately the receipts for estimated taxes in which the tax year is unknown to ensure those receipts are included or excluded appropriately as taxes receivable.	4,643,486	Agency Errors	Yes
24	The Public Service Commission (PSC) and Military failed to identify several transactions processed after June 30, 2023, as fiscal year 2023 transactions.	4,108,308	Agency Errors	Yes
25	The Nebraska Department of Education (NDE) made an error in its calculation of the Special Education State Aid Program Payable that required an adjustment to the State's financial statements. The $4,074,000 error occurred due to a data entry error in NDE's spreadsheet used to calculate the payable. One of the figures used to reduce the original payable was incorrectly entered into the spreadsheet.	4,074,000	Agency Errors	No
26	The Nebraska Department of Economic Development (NDED) recorded a number of transactions between July 1, 2023, and September 30, 2023, to the incorrect fiscal year.	3,030,306	Agency Errors	No
27	When DHHS received DSH Pool 6 funds back from the mental health regions, the receipts were recorded as negative expenditures instead of revenues. Therefore, an adjustment was necessary to reclassify the amount received in fiscal year 2023.	2,833,863	Agency Errors	Yes
28	On June 13, 2023, DHHS processed a journal entry to transfer money between its various funds. It identified the transaction as a prior year transaction. Therefore, State Accounting removed these items from the fiscal year 2023 activity and recorded them as a beginning fund balance adjustment. However, in our review of the entry, it was determined that the activity was, in fact, for fiscal year 2023. The adjustments required for this improperly recorded activity was $1,983,102.	1,983,102	Agency Errors	No
29	Nebraska Investment Council's (NIC) quarterly endowment income distribution entries are normally prepared prior to the end of the subsequent quarter. However, the endowment income earned in both quarter 1 (January to March 2023) and quarter 2 (April to June 2023) of 2023 was received and distributed after the fiscal year end due to delays in reporting by the custodial bank. This delay caused the cash balances for two endowment funds to be understated at the 2023 fiscal year end. It should be noted that State Accounting receives an email when the entries are completed.	1,705,885	Agency Errors	No
30	Accounts Receivable from the Federal government are amounts that NDOT paid to outside entities and requested from the Federal government but have not yet received. NDOT understated this receivable by $1,532,700 because it reported only amounts requested from the Federal government in July 2023 and did not include amounts previously requested that were still outstanding as of June 30, 2023.	1,532,700	Agency Errors	Yes
31	NDOR improperly recorded the prepaid wireless surcharge to the State Highway Fund. The prepaid wireless surcharge is collected from a consumer for prepaid wireless services. Most of the surcharge gets credited to the 911 Service System Fund, the Nebraska Telecommunications Relay System Fund, and the Nebraska Telecommunications Universal Service Fund and should be reported in the Licensing and Regulation Fund. A small portion is retained by NDOR for administrative fees and should be recorded to the General Fund. Therefore, adjustments were needed to record the activity to the correct fund. NDOR's adjustments, which State Accounting posted to the State accounting system, were also incorrect. Additional corrections, totaling $1,162,009, were needed to correct the activity.	1,162,009	Agency Errors	No

Item #	Description	Dollar Error	Category	Prior Audit Finding?
32	DHHS reported inaccurate distributions from its inventories related to the Immunization and The Emergency Food Assistance Program (TEFAP) programs. The distribution of the flu vaccine was not included in the DHHS calculation, resulting in an error of $1,032,074. The error in the TEFAP distribution was $21,863, for a total error of $1,053,937, which required an adjustment to the financial statements.	1,053,937	Agency Errors	Yes
33	DHHS recorded an incorrect journal entry to move funding from the Supplemental Security Income (SSI) Distributive Fund. Therefore, the APA proposed, and State Accounting recorded adjustments, totaling $944,033, to correct the amounts and accounts used in the original journal entry.	944,033	Agency Errors	Yes
34	Throughout the fiscal year, DHHS received payments related to care provided and billed to clients at any of the four regional centers or for developmental disability services provided at non-State facilities. A receivable is recorded to estimate the funds due to the State at the fiscal year end. The APA identified errors in DHHS's calculation due to mathematical mistakes; old balances that have not been written off; inaccurate patient balances and allowance amounts; corrections from the prior year not being addressed; and several other inaccuracies. The adjustment made for these errors was $757,973.	757,973	Agency Errors	Yes
35	NDOT's State Aid Bridge Fund was created to aid counties for the replacement of bridges. Each month, $64,000 is transferred from the Highway Trust Fund to the State Aid Bridge Fund for this purpose. As bridge projects are completed, NDOT pays the initial expense from the Roads Operations Cash Fund. Then a journal entry is processed to reimburse the Roads Operations Cash Fund from the State Aid Bridge Fund. In fiscal year 2023, NDOT transferred $768,727 from the State Aid Bridge Fund to the Roads Operations Cash Fund; however, only $210,502 in fiscal year 2023 expenditures were recorded in that fund. The rest of NDOT's reimbursement was for prior fiscal year expenses. This resulted in expenses in fiscal year 2023 being understated by $558,225, as the amounts related to prior fiscal years should have been coded as a beginning balance adjustment.	558,225	Agency Errors	No
Total Agency Errors		**$ 422,697,546**		
36	State Accounting incorrectly recorded payments of state aid to schools made from the Insurance Tax Fund to the General Government function instead of the Education function. State aid payments are all Education functions and should be recorded as such.	36,839,148	DAS Errors	No
37	State Accounting made incorrect entries related to cash and investments because it categorized securities identified as corporate bonds as cash equivalents instead of investments.	30,961,170	DAS Errors	Yes
38	State Accounting incorrectly classified a new fund it created in fiscal year 2023 as an Other Special Revenue Fund instead of a General Fund. Since the funding came from transfers from the State's Cash Reserve Fund, which is in the General Fund, it is required to be reported as a General Fund. An adjustment was necessary to eliminate transfers in and out of the General Fund.	30,000,000	DAS Errors	Yes
39	State Accounting allows agencies to post transactions to a miscellaneous adjustment account code, which could be revenues or expenses. During its review of this account, State Accounting recorded a reimbursement recorded in October 2023 as a fiscal year 2023 transaction. However, upon our review of the supporting documentation, the majority of the reimbursement was for expenses that were originally incurred prior to the start of fiscal year 2023. Therefore, an adjustment was needed to present the beginning fund balance properly and to record a due from Federal government.	27,675,363	DAS Errors	No
40	State Accounting failed to analyze transactions from October – June 2023 in a payable account to determine whether they were recorded in the proper fiscal year. Once the activity was analyzed, significant adjustments were required.	23,825,198	DAS Errors	No
41	State Accounting incorrectly recorded transfers from the General Fund to the Internal Service Fund on the Statement of Activities, resulting in an understatement of the transfers and an understatement of general government program expenses.	18,750,000	DAS Errors	No
42	The State is required to classify fund balances into appropriate classifications according to whether the funds are nonspendable, restricted, committed, assigned, or unassigned. State Accounting reclassified two funds to permanent endowment funds and failed to identify and classify the endowment principal as nonspendable, presenting the entire balance instead as restricted.	15,078,544	DAS Errors	No
43	State Accounting incorrectly recorded $11,553,316 in health insurance benefit rebates received as revenue instead of reducing expenditures. The rebates should be recorded as a negative expense, reducing the original claims paid.	11,553,316	DAS Errors	No

Item #	Description	Dollar Error	Category	Prior Audit Finding?
44	State Accounting incorrectly recorded an Office Depot bill as a negative revenue, rather than as an expense. Therefore, the Internal Service Fund revenue and expenses were understated.	2,993,082	DAS Errors	No
45	In fiscal year 2023, a $500 contribution to the flexible spending accounts for each State employee was authorized and was to be funded from the State Employee Insurance Fund. State Accounting incorrectly accounted for this activity.	2,800,000	DAS Errors	No
46	During its review process for October 2022 – June 2023 entries to ensure the transactions were recorded in the proper fiscal year, State Accounting incorrectly recorded two entries (instead of just one) related to Federal fund activity for two separate transactions.	2,768,344	DAS Errors	Yes
47	State Accounting incorrectly recorded one fund balance as Due to Federal Government instead of as Fund Balance. The amount was received from the Federal government in 1930 and is more than likely not owed to the Federal government anymore. The fund balance was recorded similarly in fiscal year 2022, requiring a correction to the beginning fund as well.	2,538,534	DAS Errors	No
48	State Accounting allows agencies to post transactions to a miscellaneous adjustment account code, which could be revenues or expenses. During its review of July to September 2023 activity in this account, State Accounting recorded a reimbursement as a fiscal year 2023 transaction. However, upon our review of the supporting documentation, the majority of the reimbursement was for expenses that were originally incurred prior to the start of fiscal year 2023. Therefore, an adjustment was needed to present the beginning fund balance properly and to record a due from Federal government.	2,435,560	DAS Errors	No
49	The State Accounting entry to record the Board of Educational Lands and Funds (BELF) land value and related gain on land was overstated by $1,339,582.	1,339,582	DAS Errors	Yes
50	On its Statement of Cash Flows – Proprietary Funds, State Accounting included the Unemployment Insurance benefits payable balance as accounts payable, but it should have been included as claim payable. State Accounting also included this amount as Cash paid to Suppliers instead of Cash Paid for Insurance Claims.	776,000	DAS Errors	No
Total DAS Errors		**$ 210,333,841**		
51-59	NDOL Accounting Errors – See Finding 2023-002	24,409,108		Yes
NDOL Accounting Errors Total		**$ 24,409,108**		
60	Capital Asset CIP Accounting Errors	14,571,854		Yes
61	Capital Asset Equipment Accounting Errors	12,979,189		Yes
Capital Asset Errors Total		**$ 27,551,043**		
Grand Total		**$ 684,991,538**		

Finding 2023-002

Unemployment Insurance Fund Issues

Despite a modified opinion for the Unemployment Insurance (UI) Fund and related findings in the last three audits, State Accounting again lacked procedures for ensuring that the UI Fund financial statements were presented accurately for the Annual Comprehensive Financial Report (ACFR). After each of the last three audits, the Auditor of Public Accounts (APA) recommended that State Accounting work closely with the Nebraska Department of Labor (NDOL) to establish procedures sufficient for calculating and reporting the UI Fund activity for the ACFR.

We also recommended that NDOL establish procedures to ensure its staff performed a proper review of documentation, including the trial balance, and to reconcile NDOL's separate tax and benefit system, NEworks, to the State accounting system to identify issues between the systems. Though improvements were noted, it is apparent from the adjustments and errors noted below that NDOL and State Accounting failed to comply with our prior recommendations to ensure that the UI Fund financial statements are presented accurately.

The UI funds were maintained in separate, outside bank accounts, differing from most State funds, which are maintained by the State Treasurer. NDOL prepared manual journal entries to record financial activity from NEworks to the State's accounting system, which is used to generate the financial statements.

However, the financial statements required material adjustments due to incorrect journal entries made by NDOL and the lack of an adequate reconciliation of the financial activity recorded in NEworks to that recorded in the State accounting system to ensure account balances and other financial activity were properly presented. The significant number of financial reporting errors required a substantial amount of additional time and work by the APA. Had NDOL and State Accounting addressed the prior year findings, the additional time and work would have been significantly less.

The table below summarizes over $24 million in errors made by NDOL for fiscal year ended June 30, 2023. The APA proposed, and State Accounting posted, adjustments to correct the financial statements.

Adj.	Description	Dollar Error
1	Prior to fiscal year 2023, the NDOL accrued the UI benefit overpayment receivable only at year end for financial statement presentation. In fiscal year 2023, the NDOL changed its procedures to record a receivable balance as of July 1, 2022, and then tracked changes to the balances throughout the year in the accounting system. The NDOL overstated the beginning overpayment receivable balance and current year expenditures by $5,205,239. Additionally, the NDOL did not establish a beginning penalty receivable balance of $408,386.	$ 5,205,239
2	Because of the incorrect balances included in #1 above, the NDOL overstated the overpayment receivable allowance for doubtful accounts by $4,815,264. Additionally, the NDOL failed to record an allowance for doubtful accounts for the penalty receivable balance of $426,658.	4,815,264
3	The NDOL used an incorrect amount from a NEworks report to record the recoupments from overpayments to claimants, resulting in the overpayment receivable balance being understated by $1,030,241.	1,030,241
4	As part of the NDOL's year end processes, it estimates an overpayment receivable for future overpayments related to fiscal year 2023 or prior benefit payments. The NDOL incorrectly recorded its July 1, 2023, reversing entry as a prior period transaction, which caused State Accounting to record it as fiscal year 2023 activity – thereby eliminating the entry. Due to this, an adjustment was necessary to re-record the accounts receivable balance.	787,570
5	The APA determined that the ending balance of the overpayment receivable as of June 30, 2023, should have been $2,117,396. However, the balance in the accounting system after all other adjustments noted above was $2,014,358, resulting in an unknown variance of $103,038 (understatement).	103,038
Total Overpayment Receivable Adjustments		**$ 11,941,352**
6	In fiscal year 2023, the NDOL failed to record an allowance for doubtful accounts related to employers' accounts receivable (employer UI taxes owed), including penalties and interest receivable. The NDOL also failed to record a similar entry in fiscal year 2022, resulting in an adjustment to the Beginning Fund Balance. Additionally, the NDOL is required by State statute to transfer the penalties and interest assessed on the late employer remittance of taxes from the Unemployment Insurance Tax Clearing Fund to the Employment Security Special Contingent Fund. The APA determined the NDOL transferred the amount charged and not amount collected, resulting in too much money being transferred to the Employment Security Special Contingent Fund from the Unemployment Insurance Tax Clearing Fund. Therefore, these adjustments, totaling $2,912,501, were necessary to correct the amounts.	2,912,501
7	Employer balances due to the NDOL for UI taxes, interest, and penalties from unpaid tax contributions and UI taxes owed back to employers are maintained in NEworks. The NDOL failed to reconcile the employer accounts receivable consisting of Tax Contribution Receivable, Billed Interest Receivable, Penalty Receivable, and Reimbursable Employer Receivable, or Tax Contributions Payable accounts from the State accounting system to NEworks to ensure the amounts agreed. Since they did not, adjustments, totaling $2,693,984, were necessary to record these balances accurately as of June 30, 2023. In December 2021, the NDOL converted from its old Tax Management System (TMS) to NEworks. After the fiscal year 2022 audit, in which the NDOL was unable to determine its balances for the financial statements, a contractor was hired to review the NDOL's account balances and to ensure the balances from the old system were properly transferred to the new system. The contractor determined that the conversion of account balances from TMS to NEworks was correct. The NDOL took the prior balances confirmed by the contractor and added financial activity from the accounting system from December 2021 to June 2022 to determine the June 30, 2022, balances. The NDOL compared its calculated balance to the accounting system balances on July 1, 2022. Because variances were identified, the NDOL created adjustments to correct the balances. The APA noted the following issues with the adjustments prepared by the NDOL: ● At the time of conversion, the balances for Tax Contributions Receivable and Reimbursable Employer Receivables were negative. The NDOL appears to have considered all employer balances to be receivables when employers with negative balances should have been considered payables.	2,693,984

Adj.	Description	Dollar Error
	● The NDOL used activity from the accounting system for the December 2021 to June 2022 period. There appears to be errors in these entries made, so a more accurate method would have been to use reports directly from the NEworks system. ● The NDOL incorrectly recorded its adjustment to correct the balances. Balances that should have increased were decreased, and balances that should have decreased were increased. Due to the errors noted above, the APA performed its own review and calculation of the balances as of June 30, 2023. The NDOL failed to provide a report from NEworks that accurately reported all employer balances. Therefore, the APA started with the employers' balances from the contractor at the time of conversion, December 6, 2021, and added activity for each employer from reports from NEworks through June 30, 2023. The APA performed additional validation procedures to ensure its calculation agreed to the NEworks employer balances at June 30, 2023, and determined the following adjustments were needed: ● Increase Tax Contribution Receivable by $1,823,317 ● Increase Billed Interest Receivable by $870,667 ● Decrease Penalty Receivable by $125,397 ● Decrease Reimbursable Employer Receivable by $5,730 ● Increase Tax Contributions Payable by $2,201,533 ● Increase Beginning Fund Balance by $361,324	
8	The NDOL's fiscal year 2022 State Unemployment Insurances Taxes (SUIT) revenue was overstated by $2,151,033, while the fiscal year 2023 SUIT revenue was understated by $2,151,033. The inaccurate revenues were due to errors made by the NDOL in transferring the revenue between funds. Therefore, an adjustment was necessary to decrease the fiscal year 2023 beginning fund balance and increase fiscal year 2023 revenue.	2,151,033
9	In its preparation of the ACFR, State Accounting annually reviews entries identified as prior period transactions and recorded within three months after the fiscal year end. The NDOL failed to process multiple miscellaneous adjustments related to fiscal year 2022 until August 2023 and failed to notify State Accounting of the late entries. Therefore, State Accounting did not properly record the transactions as fiscal year 2022 activity, and an adjustment was needed in fiscal year 2023 to reflect the activity in the proper fiscal year.	1,002,510
10	In fiscal year 2023, the NDOL recorded entries to write off $614,926 in overpayments receivable. However, the entries were recorded as miscellaneous adjustments instead of as current year expenditures.	614,926
11	Fiscal year 2023 revenues were overstated because the NDOL incorrectly recorded the reversal of the fiscal year 2022 accrual for tax contributions.	242,619
Total Miscellaneous Adjustments		**$ 9,617,573**
12	The NDOL failed to reverse the fiscal year 2022 claims payable accrual entry, resulting in the overstatement of the fiscal year 2023 benefits payable by $1,431,090.	1,431,090
13	As of June 30, 2023, the NDOL failed to record a benefits payable accrual for claims paid after the fiscal year end for services rendered prior to the fiscal year end. The total payable amount was $361,452.	361,452
14	The NDOL failed to consider canceled payments to claimants, resulting in expenditures and payables being overstated by $319,541.	319,541
15	The NDOL incorrectly calculated its claims liability for fiscal year 2023, resulting in an understatement of $168,328.	168,328
Total Claims and Benefits Payable Adjustments		**$ 2,280,411**
16	The NDOL failed to record a $288,865 payable to the Federal government for overpayments due back to the Federal government once received.	288,865
17	The NDOL moved the beginning balances in 11 accounts, totaling $21,509, to the Due to Government account. However, the NDOL did not have support for the payable, and it was not paid in fiscal year 2023, so it is likely that this balance is incorrect and should be written off.	21,509
Total Due to Government Adjustments		**$ 310,374**
18	The NDOL failed to record a receivable for $160,505 in Combined Wage Claims, which are benefits owed by other states.	160,505
19	The NDOL recorded the reduction of the Due from Federal Government receivable in the wrong account, resulting in the balance being overstated by $75,100.	75,100
20	The NDOL moved the beginning balance in eight accounts, totaling $23,793, to the Due from Federal Government account during fiscal year 2023. However, the NDOL lacked support for the receivable, and it was not received in fiscal year 2023, so it is likely that this balance is incorrect and should be written off.	23,793
Total Other Receivable Adjustments		**$ 259,398**
Total Adjustments		**$ 24,409,108**

The APA identified additional financial statement errors that did not require adjustments to the financial statements due to their relative insignificance; nevertheless, these were errors and are detailed in the table below:

Error	Description	Dollar Error
1	The NDOL incorrectly recorded $264,598 in benefit payment recoupments for July and August 2022 to the wrong account. Additionally, the NDOL failed to record entries for the September to June 2023 benefit payment recoupments, totaling $777,899, until notified by the APA. The NDOL corrected these issues prior to September 30, 2023, so formal adjustments to the financial statements were not required.	$ 1,042,497
2	The suspense account serves as the holding account for unreconciled items between the bank and NEworks. During fiscal year 2023, the NDOL wrote off the $854,980 balance at June 30, 2022, without an analysis of the balance. The NDOL failed also to perform an analysis of the $113,441 balance in the holding account at June 30, 2023.	854,980
3	The NDOL claimed to have discretion in the use of a Federal fund balance of $846,573; however, documentation to support that assertion was not provided, nor was an explanation describing how the balance was accumulated.	846,573
4	The NDOL recorded $496,122 in Federal revenues incorrectly as miscellaneous adjustments rather than operating Federal grants and contracts. Therefore, its revenues in the Reed Act Fund were not correct.	496,122
5	The NDOL recorded an entry to write off the $202,921 balance in the employer reimbursable payable account. Prior to the conversion to NEworks in December 2021, the NDOL used two accounts to record the payable balance to contributory employers and reimbursable employers. After the conversion, the NDOL stopped using the reimbursable payable account and used only the contributory payable account. As the reimbursable payable account had no activity in over a year, the NDOL mistakenly wrote off the balance, when it should have been moved to the contributory payable account. An entry was not proposed to correct this directly, as the balance was corrected in entry #7 in the table above.	202,921
6	The NDOL recorded a $151,569 check to the benefits payable account, even though a liability was never recorded related to this check. Therefore, the benefits payable liability was understated.	151,569
7	The NDOL lacked support for $143,899 of the $542,632 benefits payable account balance at June 30, 2023. It is likely the amount is for benefit payments returned to the bank, but the NDOL lacked support for the amount of the returned payments.	143,899
8	The NDOL failed to record a liability for amounts collected that were more than a claimant's overpayment balance, which should be paid back to the claimant. The APA calculated this liability to be $133,982.	133,982
9	The NDOL incorrectly reported a Federal fund balance as $118,716; however, due to incorrect entries, that fund did not actually have a balance.	118,716
10	The NDOL inappropriately included $15,755 of fiscal year 2024 interest charges in the original calculation of the employers' fiscal year 2023 accounts receivable allowance for doubtful accounts. The amount was appropriately not included in the adjustment proposed by the APA. Testing revealed also a projected additional amount of $21,297 for fiscal year 2024 interest charges that should not have been included in the allowance.	37,052
11	The NDOL failed to record a payable to the Federal Government for Federal Pandemic Unemployment Compensation (FPUC) monies held on June 30, 2023, totaling $12,916.	12,916
12	The NDOL recorded $11,296 in entries that increased the payable due to the Federal Government. When processing the payment to the Federal government, however, the NDOL recorded the entry to the wrong account; therefore, the original entries need to be reversed.	11,296
13	The NDOL's methodology for the calculation of the overpayment receivable, those expected to be established within 90 days after June 30, 2023, was not reasonable. First, the calculation included the average overpayments established between July and September for the last eight years, which assumes that all overpayments established during that time period are for payments from the previous fiscal year. However, those overpayments could be for payments made during the current fiscal year. Second, the calculation neglected to include overpayments established from October to June for payments made in the previous fiscal year.	0
Total		**$ 4,052,523**

A proper system of internal control requires procedures to ensure accurate information is included in the State accounting system for the proper presentation of the State's financial statements. Without such procedures, there is an increased risk of not only material misstatements occurring and remaining undetected but also improper payments being made.

> We continue to recommend State Accounting work the NDOL to establish procedures to ensure accounting records are recorded properly in the accounting system, including reconciliation procedures to ensure accounting records reflect accurately the activity and appropriate balances of NEworks. Without the resolution of these repeated findings, the APA's ability to audit the UI financial statements might be compromised.

DAS Response: We recognize that the Auditor of Public Accounts (APA) invested substantial time into reviewing and identifying proposed adjustments. The Department of Labor has corrected one-time errors related to establishing accurate balances. We will continue to assist NDOL to adequately document its reconciliation procedures.

Finding 2023-003

EnterpriseOne Timesheets

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

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

- E1 did not accurately track who approved timesheets 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 removed a delegate from the system, there was no record of the delegates in the system in an audit trail. 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.

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

Neb. Rev. Stat. § 84-1001(1) (Reissue 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, moreover, there is an increased risk that an employee may record payroll expenditures to an incorrect funding source or another agency's general ledger in error.

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

> We recommend the Department implement procedures to maintain adequate supporting documentation of time worked for all employees, such as timesheets or certifications, in compliance with State Statute and 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 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 choosing to delegate time approval are trained to maintain documentation when a delegate approves time. Under federal law, exempt employees do not need to track their hours. DAS – Accounting Division will work with DAS - State Personnel Division to explore ways to reconcile State and Federal law in our processes.

APA Response: Neb. Rev. Stat. § 81-1328 (Cum. Supp. 2022) outlines vacation hours earned by State employees. State employees who work less than full-time earn vacation hours in proportion to the percent of hours worked. Without a timesheet to support employee hours worked, there is an increased risk an employee will earn excess vacation leave, which is paid out upon termination.

Finding 2023-004

Changes to Vendor and Banking Information

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 the information are verified as accurate.

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

A similar comment has been reported since the fiscal year 2015 ACFR 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: As a mitigating control that DAS already has in place, changes to a vendor or payee's banking information requires prior banking information be provided for verification. Changes in the past legislative session to Neb. Rev. Stat. § 81-153(10) provides a broader opportunity for vendor self-service and is being explored. DAS is working to revise its W-9 form to include agency review and approver sign-off.

ATTORNEY GENERAL

Finding 2023-005

Settlement Revenue

In January 2023, the Attorney General received $11,887,209 related to a legal settlement with Google, which was incorrectly recorded in the State's accounting system as "sales and charges" revenue instead of the proper "miscellaneous revenue" classification.

The Governmental Accounting Standards Board (GASB) Statement Number 37, paragraph 13, issued in June 2001, amended GASB Statement 34, paragraph 49, defining charges for services as follows:

> *[T]he term used for a broad category of program revenues that arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services. Revenues in this category include fees charged for specific services, such as water use or garbage collection; licenses and permits, such as dog licenses, liquor licenses, and building permits; operating special assessments, such as for street cleaning or special street lighting; and any other amounts charged to service recipients. Fines and forfeitures are also included in this category because they result from direct charges to those who are otherwise directly affected by a program or service, even though they receive no benefit. Payments from other governments for goods or services—for example, when County A reimburses County B for boarding County A's prisoners—also should be reported in this category.*

Because the receipt of funds from a legal settlement does not fall within the above definition of "charges for services," the correct revenue category is "miscellaneous revenue."

Due to the incorrect recording of the $11 million in settlement monies, an adjustment to the State's financial statements was required for the financial statements to be materially correct.

Good internal control and sound accounting practice require procedures to ensure financial transactions are recorded to the proper accounts to allow for accurate financial statement presentation. Without such procedures, there is an increased risk the financial statements will be materially misstated.

> We recommend the Attorney General implement procedures to ensure all financial transactions are properly recorded in the accounting system for accurate financial statement presentation.

DEPARTMENT OF ECONOMIC DEVELOPMENT

Finding 2023-006

Incorrect Fiscal Year for Expenditures

During testing of the State's accounts payable, the Auditor of Public Accounts (APA) reviewed expenditure transactions recorded by the Department between July 1, 2023, and September 30, 2023, to determine whether the transactions were reported in the proper fiscal year.

We noted several transactions involving expenditures of Federal funds that were recorded improperly in the State's accounting system, as shown in the table below:

Description of Error	Amount
Eighteen transactions were recorded as fiscal year 2024 expenses but should have been recorded as fiscal year 2023 expenses.	$ 4,015,153
One transaction was recorded as a fiscal year 2023 expense but should have been recorded as a fiscal year 2024 expense.	$ (2,500,000)
Net Fiscal Year 2023 Expenditure Adjustment	**$ 1,515,153**

The APA proposed an adjustment to the financial statements, which the Department of Administrative Services – State Accounting Division (State Accounting) DAS recorded, to account properly for these fiscal year 2023 Federal expenditures.

The APA also found coding errors for other financial statement funds that required no adjustment to the financial statements; however, their existence demonstrates further the need for the Department to improve coding procedures in the accounting system. The additional errors noted included the following:

Description of Error	Amount
Two transactions in the Economic Development Fund were recorded as fiscal year 2023 expenditures but should not have been. Due to the relatively small amount, the financial statements were not adjusted.	$ 600,469
One payment in the State General Fund was recorded as a fiscal year 2023 expenditure but should not have been. Due to the relatively small amount, the financial statements were not adjusted.	$ 350,000
One transaction in the Economic Development Fund was not recorded as a fiscal year 2023 expenditure but should have been. Due to the relatively small amount, the financial statements were not adjusted.	$ 161,182

A proper system of internal control requires procedures to ensure the recognition of accounting transactions in the proper fiscal year. Without such procedures, there is an increased risk for a material misstatement of the State's financial statements.

> We recommend the Department implement procedures to ensure payments are recorded in the proper fiscal year.

Department Response: The Department acknowledges that some transactions were entered into the incorrect fiscal year. When the audit was completed, the department made the correction and has updated procedures so that all P9 transactions are recorded properly going forward.

DEPARTMENT OF EDUCATION

Finding 2023-007

Incorrect Accounts Payable

All agencies report accounts payables on an accrual response form submitted to the Department of Administrative Services – State Accounting (State Accounting). The Department's process involves the calculation of an original payable amount at fiscal year-end for its various programs, which is then reduced after the review of payments processed after the fiscal year that were identified as current fiscal year activity.

The Auditor of Public Accounts (APA) found an error in the Department's calculation of a program payable that required an adjustment to the State's financial statements. The table below describes the error.

Description	Fund	Original Amount	Corrected Amount	Variance
Special Education State Aid Program Payable	General Fund	$18,159,257	$22,233,257	$4,074,000

The $4,070,000 error occurred due to a data entry error in the Department's spreadsheet used to calculate the payable. One of the figures used to reduce the original payable, was incorrectly entered into the spreadsheet. An adjustment was proposed by the APA and recorded by State Accounting to ensure the State's financial statements were materially correct.

A proper system of internal controls requires procedures to ensure that accurate accrual activity is reported to State Accounting at year end. Without such procedures, there is an increased risk of material misstatement of the State's financial statements.

> We recommend the Department implement procedures to ensure that accrual activity at year end is accurately reported to State Accounting.

Department Response: The current process for completing the ACFR is a manual process that has resulted in calculation and transposition errors. The Assistant Administrator for Budget & Grants Management and the Director of Central Accounting are reviewing the process and will implement a new process to automate the calculations. The budget management specialists will complete the ACFR utilizing the new procedures and submit the completed report to the Director of Central Accounting for review. Once the Director signs off and approves the report the Assistant Administrator will provide a final review and submit the report to State Accounting. The new process will be documented and in place by July 1, 2024.

Finding 2023-008

QE2 Change Management

For all twenty-one QE2 system changes that the APA tested, we noted the Department was unable to provide documentation to support that the system changes were thoroughly tested prior to being implemented. The Department used the QE2 application to track all expenses paid to assist physically or mentally disabled persons with locating jobs.

Nebraska Information Technology Commission (NITC) Technical Standards and Guidelines, Information Security Policy 8-202 (July 2017), "Change Control Management," states the following, in relevant part:

> *Agency management must formally authorize all changes before implementation and ensure that accurate documentation is maintained.*

NITC Technical Standards and Guidelines, Information Security Policy 8-202(2)(c) (July 2017), "Change Control Management," states the following, in relevant part:

> *The change management processes will retain a documented history of the change process as it passes through the software development life cycle with documentation securely stored for audit purposes. Documentation should address a review of the following: (1) change summary, justification, and timeline; (2) functionality, regression, customer acceptance, and security test plans; (3) security review and impact analysis; (4) documentation and baseline updates; and (5) implementation timeline and recovery plans[.]*

A good internal control plan requires procedures to ensure that the testing of system changes is performed and documented prior to the system changes being promoted into the production environment.

Without such procedures, there is an increased risk of not only system changes failing to work properly prior to being promoted into the production environment but also noncompliance with NITC Standards and Guidelines.

> We recommend the Department implement procedures to ensure that documentation is kept on file to support that testing was performed prior to system changes being promoted into production.

Department Response: By May 2023, Nebraska Vocational Rehabilitation Technology Services team had implemented a process where the documentation of testing of QE2 code changes is recorded in the comments associated with each change. If the documentation of testing is missing, the code changes are returned back to the developers until sufficient documentation is provided.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding 2023-009

Multiple Financial Statement Adjustments

The Department is responsible for the accurate recording of financial transactions in the State's accounting system. At fiscal year end, the Department also provides additional financial information, including various accounts receivable and payable entries, to the Department of Administrative Services – State Accounting Division (State Accounting) on an accrual response form for preparation of accrual entries for the Annual Comprehensive Financial Report (ACFR). The Auditor of Public Accounts (APA) reviewed these transactions to ensure the proper presentation of the State's financial statements.

Upon our review, the APA proposed $336,287,207 in adjustments to the financial statements, which were recorded in the accounting system by State Accounting, due to errors made by the Department in its year end reporting. The errors are summarized in the table below:

Description of Accrual	Amount in Error
Disproportionate Share Hospital (DSH) Accruals	$ 77,182,122
Intergovernmental Accruals	$ 65,386,569
Home and Community Based Services Cash Fund Entries	$ 65,363,007
Medicaid Drug Rebate (MDR) Receivables and Allowance for Doubtful Accounts	$ 44,835,005
Capital Asset Errors	$ 27,893,467
Prior Period Activity (July to September 2023)	$ 24,715,610
Medicaid Estate Recovery Receivable	$ 20,553,616
Medicaid Supplemental Graduate Medical Expenses (GME) Payables	$ 6,562,796
Prior Period Activity (October 2022 to June 2023)	$ 1,983,102
Nonmonetary Accruals	$ 1,053,937
Patient and County Billing Receivable	$ 757,973
Totals	**$ 336,287,207**

In its response to the Summary Schedule of Prior Audit Findings, the Department stated that its corrective action plan was in process regarding errors in accrual information. However, many of the current year accruals were inaccurate and 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 or when entries were made to the State's accounting system.

Due to the implementation of limited or no corrective actions, similar issues have been reported since the 2003 audit, for over 20 years. The APA reported over $135 million in errors to the Department in the prior year audit. Therefore, the current year errors are more than double the prior year number – which indicates the Department's corrective actions are seriously deficient.

The following information provides more detail on each of the accrual errors noted in the above table.

Disproportionate Share Hospital (DSH) Accruals
A Disproportionate Share Hospital (DSH) is a hospital with an above-average Medicaid inpatient utilization rate or a low-income utilization rate of 25 percent or more. Essentially, these are hospitals that serve many Medicaid or uninsured patients. Under its rules and regulations, DSH payments are made pursuant to six different distribution methods, called pools. The payment under each pool is generally related to different types of hospitals or services provided, as noted below:

Pool 1: Eligible other urban acute care, rural acute care, and critical access hospitals that are not eligible under Pool 6.

Pool 2: Eligible metro acute care, other urban acute care, and rural acute care hospitals that are also eligible under Pool 6.

Pool 3: Hospitals that both primarily service children under age 20 and have the greatest number of Medicaid days.

Pool 4: State-owned institutions for mental disease and other eligible psychiatric hospitals.

Pool 5: The non-profit acute care teaching hospital, subsequently referred to as the state teaching hospital, that has an affiliation with the University Medical College owned by the State of Nebraska. A hospital eligible for payment under this pool may be eligible for payment under Pool 6. The only eligible hospital is the University of Nebraska Medical Center (UNMC).

Pool 6: Hospitals that provide services to low-income persons covered by a county administered general assistance program; or hospitals that provide services to low-income persons covered by the state administered public behavioral health system. Funding is a mix of Federal and State funds. Entities who receive this type of funding will often return it to the State to be used for purposes of drawing down Federal funds.

The APA found the following errors related to the Department's calculation of DSH accruals:

Program Description	Description of Error	Dollar Error
Disproportionate Share Hospital Accruals	**Pool 5:** Under an agreement, UNMC returns most of its DSH payment to the Department. In June 2023, UNMC returned $19,259,295 for the fiscal year 2022 DSH payment. The Department incorrectly recorded the receipt to one of its cash funds, instead of to the General Fund, and also failed to identify a prior year accrual. Because of the two different errors, the net effect of the error was doubled.	$ 38,518,590
	Pool 5: The Department failed to record an accounts receivable for the fiscal year 2023 DSH payment that, as of June 30, 2023, had not yet been returned by UNMC. The receivable was calculated to be $20,228,161.	$ 20,228,161
	Pool 6: Pool 6 payments are one year behind, so an accounts payable is recorded for obligations not yet paid. The Department incorrectly recorded the State-funded portion of the accrual, or $3,001,555, to the State's General Fund; however, it should have been recorded as a payable in the Health and Human Services Fund, as that is the fund from which payments are made. The entry to correct the General Fund and to record payables properly in a cash fund had an effect of doubling the error amount. Because these amounts are expected to be returned, an accounts receivable for the same amount in the Health and Human Services Fund is also necessary but was not prepared by the Department.	$ 9,004,665
	Pool 6: When the Department received funds back from the mental health regions, the receipts were recorded as negative expenditures instead of revenues. Therefore, an adjustment was necessary to reclassify the amount received in fiscal year 2023.	$ 2,833,863
	Pools 1-4: The Department makes these payments in arrears. The payments made in fiscal year 2023 were for fiscal years 2021 and 2022. The Department failed to report a payable for the Pool 1-4 payments until fiscal year 2023. Therefore, an adjusting entry was needed to reflect properly the prior year payables that were not recorded.	$ 6,596,843
Totals		**$ 77,182,122**

Intergovernmental Accruals
The Intergovernmental accounts receivable and accounts payable amounts represent money due to and from the Federal government at the fiscal year end. If the Department has paid more that it has collected from the Federal government, a receivable is created. Conversely, if the Department has collected more from the Federal government than it has paid, a payable is created.

The following Federal grants are included in the calculation: Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), Child Support Enforcement (CSE), Child Care Discretionary Funds (CCDF), Foster Care – Title IV-E, Adoption Assistance, Guardianship Assistance, Children's Health Insurance Premiums (CHIP), Medical Assistance Program (Medicaid), Refugee Cash and Medical.

The APA found the following issues related to the Department's intergovernmental accrual:

Program Description	Description of Error	Dollar Error
Intergovernmental Receivables	The Department incorrectly reported the fiscal year 2022 intergovernmental receivable for CHIP, which required a $59,283,758 adjustment to the fiscal year 2023 financial statements.	$ 59,283,758
	The Department failed to record a receivable for the fiscal year 2023 CSE grant, resulting in $6,102,811 in required adjustments.	$ 6,102,811
Totals		**$ 65,386,569**

Home and Community Based Services (HCBS) Cash Fund Entries
The HCBS Cash Fund was created to account for the additional 10 percent Federal match in expenditures in the State Medicaid Program for Home and Community Based Services, which was granted by the American Rescue Plan Act (Act) of 2021 for the period April 1, 2021, to March 31, 2022. This supplemental funding must be used specifically towards the activities outlined in the State's HCBS Spending Plan approved by the Centers for Medicare and Medicaid Services (CMS).

The APA identified the following errors related to entries in this fund:

Program Description	Description of Error	Dollar Error
HCBS Cash Fund	The Department incorrectly recorded its journal entries related to this additional Federal funding. The entries originally reduced expenditures in the HCBS Cash Fund and increased expenditures in the Federal Fund. However, the original expenses were not recorded in the HCBS Cash Fund, so the expenditures in that fund were not properly stated. This included $47,172,798 in expenditures during fiscal year 2022 and $18,190,209 in expenditures for fiscal year 2023. State Accounting corrected the $18,190,209 error before a formal adjustment was proposed.	$ 65,363,007

Medicaid Drug Rebate (MDR) Receivable and Allowance for Doubtful Accounts
The Medicaid Drug Rebate (MDR) program collects rebates for certain physician-administered drugs to receive Federal matching payments for the drugs. At fiscal year-end, a receivable is required to accrue for funds due to the State. The Department also calculated an allowance for doubtful accounts for amounts it does not expect to collect.

The APA found the following issues related to the MDR receivable and allowance for doubtful accounts calculations:

Program Description	Description of Error	Dollar Error
MDR Allowance for Doubtful Accounts	The Department's calculation of the MDR Allowance for Doubtful Accounts was incorrect because it included $44,835,005 that had already been received by the State. This error required an adjustment to the footnote disclosures in the financial statements.	$ 44,835,005

We also determined that the Department lacks a policy for writing off the uncollectible accounts. Additionally, when testing a receipt of the drug rebates, the APA determined that one check was not deposited within three days, as required by State statute. The receipt was entered into the State accounting system nine days after the funds were received.

Neb. Rev. Stat. § 84-710 (Cum. Supp. 2022) requires the timely deposit of funds received by the State, as follows:

> *It shall be unlawful for any executive department, state institution, board, or officer acting under or by virtue of any statute or authority of the state, including the State Racing and Gaming Commission, to receive any fees, proceeds from the sale of any public property, or any money belonging to the state or due for any service rendered by virtue of state authority without paying the same into the state treasury <u>within three business days of the receipt thereof when the aggregate amount is five hundred dollars or more</u> and within seven days of the receipt thereof when the aggregate amount is less than five hundred dollars.*

(Emphasis added.)

<u>Capital Asset Errors</u>
State Accounting requires agencies to report any ongoing capital projects as construction-in-progress (CIP) for inclusion in the financial statements. The APA found the following errors related to the Department's reporting of capital assets, which required adjustment into the financial statements:

Program Description	Description of Error	Dollar Error
EVV Project	The Department failed to report a project related to the development of the Electronic Visit Verification (EVV) system. The project was a two-phase project, with the first phase completed and implemented in January 2021. That phase should have been included previously in CIP and removed during the fiscal year for recording as a capital asset. Phase two of the project was ongoing through the fiscal year, and expenses should have been recorded as CIP. The Department failed to include this project as both CIP and a capital asset, resulting in the following understatements: 1) CIP beginning balance of $6,346,535; 2) CIP additions of $886,255; 3) CIP deletions of $6,762,225; 4) equipment capital assets of $6,762,225; and 5) depreciation expense of $2,062,633.	$ 22,819,873
Equipment Assets	The Department failed to report three capital asset additions accurately in the State accounting system. Furthermore, the date acquired was incorrect for one of the additions. Incorrect asset costs and acquisition dates also cause errors in accumulated depreciation in the system. The asset costs and associated depreciation for the three assets were incorrect, as follows: • DMA (Data Management and Analytics Module) Project cost was overstated by $380,629, and depreciation was overstated by $337,874. • CyncHealth Project cost was understated by $511,796, and depreciation was understated by $298,197. • Interoperability Project cost was overstated by $151,631, and depreciation was overstated by $806,760.	$ 2,486,887

Program Description	Description of Error	Dollar Error
iServe Project	The Department failed to report correctly expenses related to the iServe system. The Department did not appropriately consider certain allocation and payroll journal entries in the amount reported, resulting in the understatement of the CIP beginning balance of $667,310 and CIP additions of $22,428. Furthermore, the Department failed to report payments after June 30, which resulted in the overstatement of CIP additions of $439,160.	$ 1,128,898
Reprocurement Project	The Department failed to report correctly expenses related to the Reprocurement project. The Department failed to report payments after June 30, which resulted in the understatement of CIP additions of $763,044.	$ 763,044
YRTC-Kearney Project	The Department failed to report a project related to improvements to the Youth Rehabilitation Treatment Center in Kearney, NE, which resulted in the understatement of CIP additions of $694,765. This also caused the footnote regarding ongoing construction commitments to be understated by $503,585.	$ 694,765
Totals		**$ 27,893,467**

Prior Period Activity (July to September 2023)

The State accounting system allows users to identify transactions that are prior fiscal year transactions by applying a certain code to the transaction. When transactions processed after the end of the fiscal year are identified as prior year transactions, State Accounting reclassifies them as current fiscal year activity.

The APA found the following issues in our review of the July to September 2023 transactions:

Program Description	Description of Error	Dollar Error
Prior Period Activity (July-September 2023)	On September 22, 2023, the Department processed three journal entries to change the funding source of various prior expenditures. In the accounting system, the Department identified the entries as prior-period transactions. Therefore, the expenses and funding changes were recorded as fiscal year 2023 activity. However, in our review of the entries, much of the activity was determined to be for periods prior to fiscal year 2023 and, therefore, should not have been included in the fiscal year 2023 activity. The Department failed to notify State Accounting of the amount that was for activity prior to fiscal year 2023, which should have been recorded as a beginning balance adjustment. The adjustment required for this improperly recorded activity was $24,715,610.	$ 24,715,610

Medicaid Estate Recovery Receivable

Medicaid Estate Recovery was established by State and Federal law to recover costs of medical assistance paid by the Nebraska Medicaid Program from the estates of certain former Medicaid recipients. Clients determined eligible for Medicaid often have resources that are excluded from their eligibility determination until after their death. At that time, the Department will review available information to determine the amount Medicaid should receive prior to the distribution of the decedent's assets.

The Department prepared a receivable to account for money due back to the State that has yet to be paid at fiscal year-end. The APA found the following issue with the Department's calculation of the receivable:

Program Description	Description of Error	Dollar Error
Medicaid Estate Recovery Receivable	The Department neglected to include unworked cases in its receivable calculation, resulting in $20,553,616 in adjustments to the fiscal year 2022 and 2023 activity. During testing, moreover, the amount requested for one case was determined to be $1,565 less than it should have been. For another case tested, the amount included in the receivable calculation was overstated by $29,878.	$ 20,553,616

Medicaid Supplemental Graduate Medical Expenses (GME) Payables

In January 2022, the Nebraska Medicaid State Plan was amended to include new funding for supplemental graduate medical education (GME) payments. These supplemental payments help offset growing costs and allow for support and investment in future educational and clinical training activities of health professionals. The Department makes payments directly to eligible teaching hospitals. The APA found the following issue related to the Department's calculation of the supplemental GME payable:

Program Description	Description of Error	Dollar Error
Medicaid Supplemental GME Payable	For the fiscal year 2023 payable, the Department made some mathematical errors in its calculation, which has a General Fund and Federal Fund portion, resulting in $6,562,796 in adjustments to the financial statements.	$ 6,562,796

Prior Period Activity (October 2022 to June 2023)

As noted previously, the State accounting system allows users to identify transactions that are prior fiscal year transactions by applying a certain code to the transaction. When transactions processed during the fiscal year are identified as prior year transactions, State Accounting records an adjustment to the beginning fund balance, so those prior year transactions are not included in the current fiscal year activity.

The APA found the following issues in our review of the October 2022 to June 2023 transactions:

Program Description	Description of Error	Dollar Error
Prior Period Activity (October 2022 - June 2023)	On June 13, 2023, the Department processed a journal entry to transfer money between its various funds. It identified the transaction as a prior year transaction. Therefore, State Accounting removed these items from the fiscal year 2023 activity and recorded them as a beginning fund balance adjustment. However, in our review of the entry, it was determined that the activity was, in fact, for fiscal year 2023. The adjustment required for this improperly recorded activity was $1,983,102.	$ 1,983,102

Nonmonetary Accruals

The Emergency Food Assistance Program (TEFAP) is a Federal program that includes the distribution of food donated by the United States Department of Agriculture. The Department includes this food as inventory on its financial statements.

Similarly, the Department's Immunization Program helps protect people against infectious diseases by enhancing the availability of vaccines through partnerships with community providers. The Department maintains an inventory of these vaccines.

Each year, an accounting entry is needed to record distributions of inventory made by the Department's programs. State Accounting then uses the reported distributions to record the reductions of inventory during the fiscal year. These are considered nonmonetary transactions because they do not involve the exchange of money.

The APA found the following error related to the Department's nonmonetary accrual:

Program Description	Description of Error	Dollar Error
Nonmonetary Accruals	The Department reported inaccurate distributions for its Immunization and TEFAP programs. The distribution of the flu vaccine was not included in the Department's calculation, resulting in an error of $1,032,074. The error in the TEFAP distribution was $21,863 – for a total error of $1,053,937, which required an adjustment to the financial statements.	$ 1,053,937

Patient & County Billings Receivable
Throughout the fiscal year, the Department received payments related to care provided and billed to clients at any of the four regional centers or for developmental disability services provided at non-State facilities. A receivable is recorded to estimate the funds due to the State at the fiscal year end. The APA found the following errors related to the Department's patient & county billings receivable accrual:

Program Description	Description of Error	Dollar Error
Patient & County Billings Receivable	The APA identified errors due to mathematical mistakes; old balances that have not been written off; inaccurate patient balances and allowance amounts; corrections from the prior year not being addressed; and several other inaccuracies. The total receivable reported by the Department was overstated by $757,973.	$ 757,973

A proper system of internal controls requires procedures to ensure that accurate and complete financial information is reported in the accounting system and to State Accounting. Good internal controls also require procedures to ensure that secondary reviews are performed for all significant accruals reported and journal entries made.

Without such procedures, there is a greater risk of material misstatements occurring and remaining undetected.

> We recommend the Department prioritize training staff and implementing procedures to ensure its accruals are properly calculated and reported to State Accounting, including fixing repeated errors. Furthermore, we recommend the Department implement procedures to ensure a secondary review is performed for all accruals by a knowledgeable individual prior to submission to State Accounting or entry into the State's accounting system.

Department Response: DHHS Financial Services has continued to develop, assess, and improve upon internal procedures. Financial Services staff will continue to collect and review the accrued items. In addition, DHHS Financial Services will meet with staff responsible for the items noted in errors. This meeting will outline and review the internal reporting process, documentation expectations, review of the audit findings and deadlines. Internal Audit will also test the ACFR accruals included in this finding for next fiscal year. DHHS will also meet with DAS staff to work through any necessary corrections.

Finding 2023-010

Other Errors in Financial Reporting

For the fiscal year 2023, the Department made an additional $153,239,662 in other accounting errors that did not require a formal proposed adjustment to the financial statements due to the dollar amount of the error or the Department correcting the error before a formal adjustment was proposed. The details of these errors are contained in the table below:

Description	Reason	Dollar Error
Journal Entry Coding Error	In June 2023, the Department processed a $121,970,667 journal entry using an incorrect object account. Upon receipt of certain Medicaid funds, the Department recorded the monies collected into a holding fund and created a liability account until it had determined the proper funds to which the monies should be moved. When DHHS made the entry to move the $121,970,667, to the correct funds, it did not properly reduce the liability account that was created upon the original receipt. The error did not require a financial statement adjustment for two reasons. First, after the APA communicated the error, the Department recorded a journal entry in July 2023 to fix the coding, identifying it as a prior period transaction that would be included in State Accounting's year-end procedures. Second, in these year-end procedures, State Accounting reviews this holding account and reclassifies the receipts that were recorded as liabilities. Therefore, it is likely the error would have been adjusted by State Accounting had DHHS not made the correcting entry.	$ 121,970,667
CIP Coding Issues	The Department inaccurately recorded CIP expenses, totaling $23,029,386, in the State accounting system related to four projects as operating expenditures instead of the appropriate CIP object accounts. Additionally, the Department failed to include $2,881,426 of payments made after the fiscal year end as fiscal year 2023 expenses. Financial statement adjustments related to other issues with these projects are included in Finding 2023-009.	$ 25,910,812
IME/DME Payable	The Indirect Medical Education (IME) and Direct Medical Education (DME) payable represents payments expected to be made to hospitals for medical education. This is also related to the Medicaid Supplemental Graduate Medical Expenses (GME) Payable included in Finding 2023-009 above. The annual growth calculation used by the Department was not mathematically accurate. Additionally, the State and Federal share of the payable was calculated incorrectly. Therefore, the IME/DME payable reported by the Department contained errors amounting to $2,763,582. No adjustment was necessary due to the relative insignificance of the amount.	$ 2,763,582
MDR Supplemental Split	The Medical Drug Rebate (MDR) program collects Medicaid rebates for certain physician-administered drugs from drug labelers to be able to receive Federal matching payments for the drugs. In addition, the State has negotiated a supplemental rebate program with drug manufacturers to generate additional revenues and further reduce expenditures. The Department has recorded 6% of supplemental MDR rebate income to the Children's Health Insurance Program (CHIP) since at least 2014. However, it has been unable to provide documentation to support that percentage since the APA first asked in fiscal year 2020. During fiscal year 2023, the Department received $22,357,320 in supplemental rebates, of which $1,341,383 was charged to the CHIP program. Due to the relative insignificance of the amount, an adjustment to the financial statements was not made.	$ 1,341,383
Credit Card Clearing Account Balance	In the prior year, the APA determined that the Department had not performed procedures to reconcile the balance in a credit card clearing account. In fiscal year 2022, the balance was $715,657. On June 30, 2023, the balance was $555,543, and the Department had failed to reconcile the balance of the account.	$ 555,543

Description	Reason	Dollar Error
Inaccurate Journal Entries	The APA found issues with the amounts in two additional journal entries. In one journal entry tested, the Department inappropriately included transactions that should not have been included when calculating an increase in the amount paid from the Federal Fund due to COVID. For another journal entry tested, the Department failed to record an adjustment in funding for prior period expenses to the appropriate fiscal year. The total of these two errors amounted to $522,894. Due to the relative insignificance of the amounts, a financial statement adjustment was not needed.	$ 522,894
Program Integrity Accrual Calculation	The Department's Medicaid Program Integrity Unit calculates an accounts receivable that represents the estimated amounts to be received from clients due to fraud or abuse cases. The Department's spreadsheet included a balance of $14,919,048 in total amounts owed, of which $14,654,909 was the allowance for doubtful accounts. In other words, the Department did not expect to collect over 98% of the balance owed. From the Department's list, the APA tested four active and four inactive balances and found the following issues:	
	• The largest amount due was $11,526,025. In this case, the defendant was ordered to pay $100 per month or 3% of gross income, whichever is larger. The Department considered $11,457,215 uncollectible.	N/A
	• The Department failed to collect on another $1,337,339 balance due because the owner moved to Wyoming. The Department considers the entire balance to be uncollectible even though the individual is earning wages and owns property in Wyoming.	N/A
	• One inactive case with a $439,778 balance lacked documentation to support the Department's collection efforts. The client was a limited liability company that went out of business and is the subject of a separate Federal garnishment case. The Department generally does not act on cases subject to Federal garnishment; however, the Department lacked support for its monitoring of the Federal case. The entire balance is deemed uncollectible.	N/A
	• One inactive case with a $173,198 balance had its last collection in May 2020. The client had filed for bankruptcy, and the amount owed the Department was discharged. The Department submitted the balance for write off in October 2022, which was approved. However, the Department failed to remove the balance from its listing, which overstated the allowance for doubtful accounts.	$ 173,198
	• One inactive case with a $7,906 balance had its last collection in June 2012. The APA found that one payment of $700 had not been applied to the balance, so the balance was incorrect. Because the Department has been unable to find the client, the claim has been submitted for write off. There was a lack of documentation to support the Department's collection efforts for this balance.	$ 700
	• One active case had a $62,564 balance on the Department's spreadsheet, but the payment records showed the balance to be $61,681 – for a difference of $883.	$ 883
Total		**$ 153,239,662**

A proper system of internal control requires procedures to ensure: 1) Transactions are recorded accurately in the accounting system; 2) there is adequate review and approval for processing transactions or accruals; and 3) documentation is on file to support the transactions or accruals. Without such procedures, there is an increased risk of material misstatement of financial statements due to errors that go undetected.

We recommend the Department implement procedures to ensure all transactions are not only recorded accurately but also adequately supported and reviewed, so they are properly identified and classified for correct financial statement presentation. We also recommend the Department review its collection procedures to determine whether additional resources are needed to collect on amounts due to the State.

Department Response: DHHS Financial Services will continue to develop, assess, and improve upon internal procedures. Financial Services staff will continue to collect and review the accrued items. In addition, DHHS Financial Services will meet with staff responsible for the items noted in errors. This meeting will outline and review the internal reporting process, documentation expectations, review of the audit findings and deadlines. DHHS will also meet with DAS staff to work through any necessary corrections for the next fiscal year.

Finding 2023-011

MMIS to MDR Reconciliation & Interface Issues

The State of Nebraska participates in the Federal Medicaid Drug Rebate program, which helps to offset the Federal and State costs of most outpatient drugs dispensed to Medicaid patients. During the fiscal year ended June 30, 2023, the Nebraska Department of Health and Human Services (Department) received $192 million in drug rebates that were processed through its Medicaid Drug Rebate application (MDR).

The Department utilizes the MDR application to compile Medicaid drug claims and uses that data to invoice drug manufacturers. Paid drug claims are exported quarterly to MDR. The drug claims originate from either the Department's Medicaid Management Information System (MMIS) application or a vendor-supported database, HealthInteractive.

The Department lacked procedures for ensuring that the data sent to MDR was complete, accurate, and eligible for drug rebates.

A similar issue has been noted since the fiscal year 2020 ACFR audit.

Due to this, the Auditor of Public Accounts (APA) has performed a reconciliation in each of these fiscal year audits. The table below summarizes the APA findings for fiscal year 2023.

Description	Known Amount of Rebates Invoiced in FY23	Maximum Possible Amount Invoiced in FY23
Follow-up of Fiscal Year 2022 Issues	$ 103,649	$ 1,121,589
Tribal Pharmacy Issue	-	63,255
Totals	**$ 103,649**	**$ 1,184,844**

Further details of the amounts reported in the table above are provided below.

Follow-up of Fiscal Year 2022 Issues
As communicated in our fiscal year 2022 early management letter to the Department dated November 17, 2022, the APA noted that HealthInteractive did not filter out drug claims from providers that were rebate exempt during two or more periods. As a result, drug claims that should have been excluded from the export to MDR were not. Through discussion with the Department, the APA learned that this issue was corrected during March 2023. As the MMIS to MDR extract is a quarterly process, this would mean that all claims starting on January 1, 2023, would have been properly excluded. The APA performed a reconciliation of MMIS to MDR claims for March 2023 and a summary of that testing is described in the "Fiscal Year 2023 Testing" section below.

To determine if the same issue noted in fiscal year 2022 still existed or if new issues were occurring, the APA reviewed claims for the period July 1, 2022, to December 31, 2022, that met the same criteria for the issue described above. For that period, the APA identified 15,278 claims, paid to six providers, totaling $2,525,050, that were incorrectly interfaced to the MDR system. This was expected by the APA based on the issue identified in fiscal year 2022. However, a sample of these claims was selected from the largest provider, which accounted for $2,133,072 (84%) of the $2,525,050, to determine if any of these claims were being invoiced to the drug labeler. In fiscal year 2022, similar claims were not being invoiced; however, an unknown situation occurred that resulted in claims in the July to September 2022 quarter being improperly invoiced, as detailed below:

- For the provider tested, we found that $103,649 was incorrectly invoiced to the drug manufacturer. To determine the amount inappropriately invoiced, the APA reviewed the claims for this provider, totaling $2,133,072. During that review, it was noted that $1,085,584 was not invoiced. For the remaining $1,047,488, invoices appear to have been issued; as a result, a sample of three invoices was tested to determine the amount invoiced because the amount actually invoiced is usually less than the MMIS claim amount. For these three invoices, the MMIS claim total was $421,526, and the amount inappropriately invoiced to the drug labeler was $103,649, possibly resulting in the State receiving inappropriate rebates. For the remaining $625,962, MMIS claims for this provider, plus the other five provider claims of $391,978 that were not tested, we would expect a proportion of that amount to be received as additional improper rebates.

Fiscal Year 2023 Testing – Tribal Pharmacy Issue

The APA performed a reconciliation of MMIS to MDR claims for March 2023 and selected a sample of 25 claim lines to ensure that they were handled properly, being either sent or not sent to MDR. One of the 25 claim lines tested, totaling $654, was improperly included in the extract sent to MDR. After further review, a new tribal pharmacy was added to the Tribal Pharmacy listing in January 2022; however, the table in the MMIS system had not been updated since 2020. Claims from tribal pharmacies are not eligible for rebates and should not be sent to the MDR system. The Department then provided a report that identified 495 similar claims, totaling $83,899, that had also been included in the MDR extract process during the period July 1, 2022, to March 31, 2023. Of this amount, the APA was able to confirm that only $63,255 was possibly invoiced for rebate from the labelers as of June 21, 2023.

A good internal control plan and sound business practices require procedures for reconciling data used to calculate drug rebates to ensure completeness and accuracy.

Without such procedures, there is an increased risk of the Department invoicing inaccurate amounts.

> We recommend the Department implement procedures to ensure that data: 1) processed through its applications is complete and accurate; and 2) used to calculate drug rebates is reconciled to ensure completeness and accuracy.

Department Response: The Agency agrees with the finding. As outlined in previous year findings, the agency has implemented changes to the Health Interactive (HIA) extract process, which feeds the data to the MDR system used for invoicing eligible drug labelers. While the Agency believes its previously-implemented solutions will predominantly address the noted findings moving forward, it also recognizes that a formal reconciliation process is necessary to ensure data sent to MDR for invoicing is complete, accurate and meets eligibility requirements. The Agency (MLTC and MMIS) are working together to create a reconciliation process, which will look at a quarter's worth of extract data, and will affirm that all applicable business rules are applied. The extract data will be compared with the underlying claims data from the data warehouse. Also, as part of the annual reconciliation process, the Agency will look at control totals to compare approximate, expecting invoicing volume by quarter. Any findings through the reconciliation process will be addressed appropriately within the Agency to provide an appropriate and timely solution.

Finding 2023-012

User Access

The Department utilized multiple applications for various purposes, such as processing payments, identifying amounts to be billed to others, determining program eligibility, etc. Access to these applications is based on a user's need to complete his or her job tasks.

During testing of user access of the Department's applications, we noted the following issues:

NFOCUS User Access
Access to the Nebraska Family Online Client User System (NFOCUS) application was based on a user's need to complete his or her job tasks. The user's supervisor was responsible for completing the NFOCUS Access Request Checklist (Checklist) for new hires, making changes to employee access, and reviewing that access annually. The Checklist was sent to security staff to assign the appropriate level of access to the system. No access was to be assigned until a completed, signed Checklist was submitted. For external employees, a Confidentiality Agreement was completed before NFOCUS access was granted.

In our review of employee access to NFOCUS, we noted the following:

- For 4 of 25 users tested, a completed user access Checklist was not provided.

- For 6 of 11 users tested, the Department lacked documentation to support that the employee's access was reviewed by his or her supervisor during the fiscal year.

- For 1 of 25 users tested, access assigned in NFOCUS was not appropriate for the user's job function.

- For 2 of 2 employees tested, both of whom had terminated during fiscal year 2023, the IT Help Desk was not notified of the terminations in a timely manner. As a result, these users had access for 75 and 190 days past their termination dates.

A similar comment has been noted since the fiscal year 2014 ACFR audit.

MMIS RACF Access
The Department uses the Medicaid Management Information System (MMIS) to support its operations of the Medicaid Program. The objective of MMIS is to improve and expedite claims processing, efficiently control program costs, effectively increase the quality of services, and examine cases of suspected program abuse. To gain access to MMIS, a user's supervisor is responsible for completing an access notification form that is sent to the Security Administrator. For new Medicaid and Long-Term Care (MLTC) staff, a MLTC Security Checklist form should be completed and on file. The forms requesting access are sent to security staff to assign the appropriate level of access to the MMIS system.

In our review of employee access to MMIS, we noted the following:

- For 8 of 25 users tested, user access was not reasonable based on the access request, Security Checklist, or discussion with the user's supervisor.

- One of these eight users was not properly reviewed during the Department's bi-annual MMIS RACF (Resource Access Control Facility) security review. During this review, the Department emails the supervisors so they can review their staff's MMIS access. However, this user's name was mistaken for another user and, therefore, not included in the proper email.

A similar comment was included in the previous ACFR audit.

Nebraska Information Technology Commission (NITC) Technical Standards and Guidelines, Information Security Policy 8-502(1) (July 2017), "Minimum user account configuration," states the following:

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

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

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

National Institute of Standards and Technology (NIST) Special Publication 800-53, Revision 5 (December 2020), "Security and Privacy Controls for Information Systems and Organizations," Access Control 6 (AC-6), "Least Privilege," states, in part, the following:

> *Employ the principle of least privilege, allowing only authorized accesses for users (or processes acting on behalf of users) that are necessary to accomplish assigned organizational tasks.*

Good internal control requires procedures to ensure that user access to Department applications is assigned properly, reviewed periodically to confirm that such access is necessary for the user's job duties, and access is removed in a timely manner after termination.

Without such procedures, there is an increased risk of users having a level of access that is unnecessary for their job duties, contrary to applicable security guidelines.

> We recommend the Department strengthen procedures for ensuring user access to Department applications is assigned properly, reviewed periodically to confirm that such access is necessary for the user's job function, and access is removed in a timely manner after termination.

Department Response: The Agency agrees with the finding. The Agency provides annual role based IT security training to supervisors that stresses the importance of least privilege and the importance of the timely submission of termination requests. The Agency effort to modernize and better automate the onboarding process is still underway to help reduce the complexity and increase the consistency of these security requests. Termination is a current emphasis of this effort. The system is being revised to disable user accounts automatically based on submission of a security request in order to more timely restrict access prior to a manual evaluation by the Help Desk on any additional actions required for the termination. The Agency is also evaluating options to better manage the N-FOCUS checklist process.

DEPARTMENT OF LABOR

Finding 2023-013

Accounting Issues

Despite a modified opinion for the Unemployment Insurance (UI) Fund and related findings in the last three audits, the Department lacked procedures again for ensuring that the UI Fund financial statements were presented accurately for the Annual Comprehensive Financial Report (ACFR). After each of the last three audits, the Auditor of Public Accounts (APA) recommended the Department work closely with the Department of Administrative Services – State Accounting (State Accounting) to establish procedures sufficient for calculating and reporting the UI Fund for the ACFR.

We also recommended the Department establish procedures to ensure its staff performed a proper review of documentation, including the trial balance, and to reconcile the Department's separate tax and benefit system, NEworks, to the State accounting system to identify issues between the systems. Though improvements were noted, it is apparent from the adjustments and errors noted below that the Department failed to comply with our prior recommendations to ensure that the UI Fund financial statements are presented accurately.

The UI funds were maintained in separate, outside bank accounts, differing from most State funds, which are maintained by the State Treasurer. The Department prepared manual journal entries to record financial activity from NEworks to the State's accounting system, which is used to generate the financial statements. However, the financial statements required material adjustments due to incorrect journal entries made by the Department and the lack of an adequate reconciliation of the financial activity recorded in NEworks to that recorded in the State accounting system to ensure account balances and other financial activity were properly presented. The significant number of financial reporting errors required a substantial amount of additional time and work by the APA. Had the Department addressed the prior year findings, the additional time and work would have been significantly less.

The table below summarizes over $24 million in errors made by the Department for fiscal year ended June 30, 2023. The APA proposed, and State Accounting posted, adjustments to correct the financial statements.

Adj.	Description	Dollar Error
1	Prior to fiscal year 2023, the Department accrued the UI benefit overpayment receivable only at year end for financial statement presentation. In fiscal year 2023, the Department changed its procedures to record a receivable balance as of July 1, 2022, and then tracked changes to the balances throughout the year in the accounting system. The Department overstated the beginning overpayment receivable balance and current year expenditures by $5,205,239. Additionally, the Department did not establish a beginning penalty receivable balance of $408,386.	$ 5,205,239
2	Because of the incorrect balances included in #1 above, the Department overstated the overpayment receivable allowance for doubtful accounts by $4,815,264. Additionally, the Department failed to record an allowance for doubtful accounts for the penalty receivable balance of $426,658.	4,815,264
3	The Department used an incorrect amount from a NEworks report to record the recoupments from overpayments to claimants, resulting in the overpayment receivable balance being understated by $1,030,241.	1,030,241
4	As part of the Department's year end processes, it estimates an overpayment receivable for future overpayments related to fiscal year 2023 or prior benefit payments. The Department incorrectly recorded its July 1, 2023, reversing entry as a prior period transaction, which caused State Accounting to record it as fiscal year 2023 activity – thereby eliminating the entry. Due to this, an adjustment was necessary to re-record the accounts receivable balance.	787,570
5	The APA determined that the ending balance of the overpayment receivable as of June 30, 2023, should have been $2,117,396. However, the balance in the accounting system after all other adjustments noted above was $2,014,358, resulting in an unknown variance of $103,038 (understatement).	103,038
Total Overpayment Receivable Adjustments		**$ 11,941,352**

Adj.	Description	Dollar Error
6	In fiscal year 2023, the Department failed to record an allowance for doubtful accounts related to employers' accounts receivable (employer UI taxes owed), including penalties and interest receivable. The Department also failed to record a similar entry in fiscal year 2022, resulting in an adjustment to the Beginning Fund Balance. Additionally, the Department is required by State statute to transfer the penalties and interest assessed on the late employer remittance of taxes from the Unemployment Insurance Tax Clearing Fund to the Employment Security Special Contingent Fund. The APA determined the Department transferred the amount charged and not amount collected, resulting in too much money being transferred to the Employment Security Special Contingent Fund from the Unemployment Insurance Tax Clearing Fund. Therefore, these adjustments, totaling $2,912,501, were necessary to correct the amounts.	2,912,501
7	Employer balances due to the Department for UI taxes, interest, and penalties from unpaid tax contributions and UI taxes owed back to employers are maintained in NEworks. The Department failed to reconcile the employer accounts receivable consisting of Tax Contribution Receivable, Billed Interest Receivable, Penalty Receivable, and Reimbursable Employer Receivable, or Tax Contributions Payable accounts from the State accounting system to NEworks to ensure the amounts agreed. Since they did not, adjustments, totaling $2,693,984, were necessary to record these balances accurately as of June 30, 2023. In December 2021, the Department converted from its old Tax Management System (TMS) to NEworks. After the fiscal year 2022 audit, in which the Department was unable to determine its balances for the financial statements, a contractor was hired to review the Department's account balances and to ensure the balances from the old system were properly transferred to the new system. The contractor determined that the conversion of account balances from TMS to NEworks was correct. The Department took the prior balances confirmed by the contractor and added financial activity from the accounting system from December 2021 to June 2022 to determine the June 30, 2022, balances. The Department compared its calculated balance to the accounting system balances on July 1, 2022. Because variances were identified, the Department created adjustments to correct the balances. The APA noted the following issues with the adjustments prepared by the Department: ● At the time of conversion, the balances for Tax Contributions Receivable and Reimbursable Employer Receivables were negative. The Department appears to have considered all employer balances to be receivables when employers with negative balances should have been considered payables. ● The Department used activity from the accounting system for the December 2021 to June 2022 period. There appears to be errors in these entries made, so a more accurate method would have been to use reports directly from the NEworks system. ● The Department incorrectly recorded its adjustment to correct the balances. Balances that should have increased were decreased, and balances that should have decreased were increased. Due to the errors noted above, the APA performed its own review and calculation of the balances as of June 30, 2023. The Department failed to provide a report from NEworks that accurately reported all employer balances. Therefore, the APA started with the employers' balances from the contractor at the time of conversion, December 6, 2021, and added activity for each employer from reports from NEworks through June 30, 2023. The APA performed additional validation procedures to ensure its calculation agreed to the NEworks employer balances at June 30, 2023, and determined the following adjustments were needed: ● Increase Tax Contribution Receivable by $1,823,317 ● Increase Billed Interest Receivable by $870,667 ● Decrease Penalty Receivable by $125,397 ● Decrease Reimbursable Employer Receivable by $5,730 ● Increase Tax Contributions Payable by $2,201,533 ● Increase Beginning Fund Balance by $361,324	2,693,984
8	The Department's fiscal year 2022 State Unemployment Insurances Taxes (SUIT) revenue was overstated by $2,151,033, while the fiscal year 2023 SUIT revenue was understated by $2,151,033. The inaccurate revenues were due to errors made by the Department in transferring the revenue between funds. Therefore, an adjustment was necessary to decrease the fiscal year 2023 beginning fund balance and increase fiscal year 2023 revenue.	2,151,033
9	In its preparation of the ACFR, State Accounting annually reviews entries identified as prior period transaction and recorded within three months after the fiscal year end. The Department failed to process multiple miscellaneous adjustments related to fiscal year 2022 until August 2023 and failed to notify State Accounting of the late entries. Therefore, State Accounting did not properly record the transactions as fiscal year 2022 activity, and an adjustment was needed in fiscal year 2023 to reflect the activity in the proper fiscal year.	1,002,510

Adj.	Description	Dollar Error
10	In fiscal year 2023, the Department recorded entries to write off $614,926 in overpayments receivable. However, the entries were recorded as miscellaneous adjustments instead of as current year expenditures.	614,926
11	Fiscal year 2023 revenues were overstated because the Department incorrectly recorded the reversal of the fiscal year 2022 accrual for tax contributions.	242,619
Total Miscellaneous Adjustments		**$ 9,617,573**
12	The Department failed to reverse the fiscal year 2022 claims payable accrual entry, resulting in the overstatement of the fiscal year 2023 benefits payable by $1,431,090.	1,431,090
13	As of June 30, 2023, the Department failed to record a benefits payable accrual for claims paid after the fiscal year end for services rendered prior to the fiscal year end. The total payable amount was $361,452.	361,452
14	The Department failed to consider canceled payments to claimants, resulting in expenditures and payables being overstated by $319,541.	319,541
15	The Department incorrectly calculated its claims liability for fiscal year 2023, resulting in an understatement of $168,328.	168,328
Total Claims and Benefits Payable Adjustments		**$ 2,280,411**
16	The Department failed to record a $288,865 payable to the Federal government for overpayments due back to the Federal government once received.	288,865
17	The Department moved the beginning balances in 11 accounts, totaling $21,509, to the Due to Government account. However, the Department did not have support for the payable, and it was not paid in fiscal year 2023, so it is likely that this balance is incorrect and should be written off.	21,509
Total Due to Government Adjustments		**$ 310,374**
18	The Department failed to record a receivable for $160,505 in Combined Wage Claims, which are benefits owed by other states.	160,505
19	The Department recorded the reduction of the Due from Federal Government receivable in the wrong account, resulting in the balance being overstated by $75,100.	75,100
20	The Department moved the beginning balance in eight accounts, totaling $23,793, to the Due from Federal Government account during fiscal year 2023. However, the Department lacked support for the receivable, and it was not received in fiscal year 2023, so it is likely that this balance is incorrect and should be written off.	23,793
Total Other Receivable Adjustments		**$ 259,398**
Total Adjustments		**$ 24,409,108**

The APA identified additional financial statement errors that did not require adjustments to the financial statements due to their relative insignificance; nevertheless, these were errors and are detailed in the table below:

Error	Description	Dollar Error
1	The Department incorrectly recorded $264,598 in benefit payment recoupments for July and August 2022 to the wrong account. Additionally, the Department failed to record entries for the September to June 2023 benefit payment recoupments, totaling $777,899, until notified by the APA. The Department corrected these issues prior to September 30, 2023, so formal adjustments to the financial statements were not required.	$ 1,042,497
2	The suspense account serves as the holding account for unreconciled items between the bank and NEworks. During fiscal year 2023, the Department wrote off the $854,980 balance at June 30, 2022, without an analysis of the balance. The Department failed also to perform an analysis of the $113,441 balance in the holding account at June 30, 2023.	854,980
3	The Department claimed to have discretion in the use of a Federal fund balance of $846,573; however, documentation to support that assertion was not provided, nor was an explanation describing how the balance was accumulated.	846,573
4	The Department recorded $496,122 in Federal revenues incorrectly as miscellaneous adjustments rather than operating Federal grants and contracts. Therefore, its revenues in the Reed Act Fund were not correct.	496,122
5	The Department recorded an entry to write off the $202,921 balance in the employer reimbursable payable account. Prior to the conversion to NEworks in December 2021, the Department used two accounts to record the payable balance to contributory employers and reimbursable employers. After the conversion, the Department stopped using the reimbursable payable account and used only the contributory payable account. As the reimbursable payable account had no activity in over a year, the Department mistakenly wrote off the balance, when it should have been moved to the contributory payable account. An entry was not proposed to correct this directly, as the balance was corrected in entry #7 in the table above.	202,921

Error	Description	Dollar Error
6	The Department recorded a $151,569 check to the benefits payable account, even though a liability was never recorded related to this check. Therefore, the benefits payable liability was understated.	151,569
7	The Department lacked support for $143,899 of the $542,632 benefits payable account balance at June 30, 2023. It is likely the amount is for benefit payments returned to the bank, but the Department lacked support for the amount of the returned payments.	143,899
8	The Department failed to record a liability for amounts collected that were more than a claimant's overpayment balance, which should be paid back to the claimant. The APA calculated this liability to be $133,982.	133,982
9	The Department incorrectly reported a Federal fund balance as $118,716; however, due to incorrect entries, that fund did not actually have a balance.	118,716
10	The Department inappropriately included $15,755 of fiscal year 2024 interest charges in the original calculation of the employers' fiscal year 2023 accounts receivable allowance for doubtful accounts. The amount was appropriately not included in the adjustment proposed by the APA. Testing revealed also a projected additional amount of $21,297 for fiscal year 2024 interest charges that should not have been included in the allowance.	37,052
11	The Department failed to record a payable to the Federal Government for Federal Pandemic Unemployment Compensation (FPUC) monies held on June 30, 2023, totaling $12,916.	12,916
12	The Department recorded $11,296 in entries that increased the payable due to the Federal Government. When processing the payment to the Federal government, however, the Department recorded the entry to the wrong account; therefore, the original entries need to be reversed.	11,296
13	The Department's methodology for the calculation of the overpayment receivable, those expected to be established within 90 days after June 30, 2023, was not reasonable. First, the calculation included the average overpayments established between July and September for the last eight years, which assumes that all overpayments established during that time period are for payments from the previous fiscal year. However, those overpayments could be for payments made during the current fiscal year. Second, the calculation neglected to include overpayments established from October to June for payments made in the previous fiscal year.	0
Total		**$ 4,052,523**

A proper system of internal control requires procedures to ensure accurate information is included in the State accounting system for the proper presentation of the State's financial statements. Without such procedures, there is an increased risk of not only material misstatements occurring and remaining undetected but also improper payments being made.

> We continue to recommend the Department establish procedures to ensure accounting records are recorded properly in the accounting system, including reconciliation procedures to ensure accounting records reflect accurately the activity and appropriate balances of NEworks. Without the resolution of these repeated findings, the APA's ability to audit the UI financial statements might be compromised.

Department Response: The Department recognizes that the Auditor of Public Accounts (APA) invested substantial time into reviewing and identifying proposed adjustments. The Department has corrected one-time errors related to establishing accurate balances. Further, the Department is continuously working to improve accounting processes.

Finding 2023-014

Unemployment Insurance Benefit Issues

The Department paid $62,550,014 million in unemployment insurance (UI) benefits to 15,948 claimants between July 1, 2022, and June 30, 2023.

Our testing included a random sample of 40 payments, totaling $22,178, and resulted in $4,493 in questioned costs due to inadequate support for 10 payments tested. Based on the sample tested, the dollar error rate for the sample was 20.26% ($4,493/$22,178), which estimates the potential dollars at risk for fiscal year 2023 to be $12,672,633.

The APA also found an additional $32,376 of questioned costs during other testing procedures.

Similar findings have been noted since the fiscal year 2020 audit.

The following table summarizes the questioned costs, which are explained in detail below:

	Questioned Costs FY 2023	
Random Sample Adjudication Issues	$	4,493
Claimants with Excessive Wages	$	22,506
Improper UI Benefits Paid to State Employees	$	9,870
Total	**$**	**36,869**

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

Per 2 CFR § 2900.4 (January 1, 2023), the U.S. Department of Labor adopted the Office of Management and Budget (OMB) Uniform Guidance as its policies and procedures for financial assistance administration.

2 CFR § 200.403 (January 1, 2023) requires costs charged to Federal programs to be reasonable, necessary, and adequately documented.

2 CFR § 200.302 (January 1, 2023), requires states to expend Federal awards in accordance with state laws.

2 CFR § 200.511(b) (January 1, 2023) 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 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.*

<u>Random Sample Adjudication Issues</u>

<u>Adjudication of Employer Responses</u>

When a claimant files for UI benefits, the Department sends a "Separation Information Request" to the claimant's previous employers to provide information, such as beginning and ending dates of employment, reason for termination, and whether vacation, severance, or other wages were paid after termination. Employers are required to respond within 10 days after the mailing or electronic transmission of such a request in accordance with Neb. Rev. Stat. § 48-632(1) (Reissue 2021).

For 6 of the 40 randomly selected claimants tested, the Department failed to adjudicate properly the most recent separating employer responses because the employers provided information that required the Department to request additional information for accurate adjudication.

Claimant	Claimant Response	Employer Response	Benefit Paid for Weeks Ending	Questioned Costs	Total Payments	Adjudication Issue
#1	Lack of Work / Layoff	Terminated / Fired	5/14/22 - 8/6/22	$ 980	$ 6,370	For each claimant, the employer responded that the claimant was either "Terminated/Fired" or "Resigned/Quit." In each case, the Department either did not follow up with the employer to obtain additional information on the specifics of the termination or did not document its follow-up attempts. If the cause of termination was due to misconduct or work was left without good cause, the claimant may have been ineligible for benefits. The questioned costs include only the payment tested by the APA.
#2	Terminated / Fired	Terminated / Fired	6/4/22 - 10/1/2022	$ 240	$ 2,091	
#3	Terminated / Fired	Terminated / Fired	Note 1	$ 396	$ 8,712	
#4	Lack of Work / Layoff	Terminated / Fired	3/4/23 - 6/3/23	$ 514	$ 7,196	
#5	Terminated / Fired	Terminated / Fired	1/14/23 - 6/3/23	$ 482	$ 10,122	
#6	Resigned / Quit	Resigned / Quit	1/14/23, 2/18/23 - 6/3/23	$ 339	$ 5,576	
			Totals	**$ 2,951**	**$ 40,067**	

Note 1: Claimant was paid for the following weeks ended: 1/22/2022, 1/29/2022, 2/12/2022 - 2/26/2022, 3/12/2022 - 3/26/2022, 4/16/2022, 4/23/2022, 5/7/2022 - 5/28/2022, 6/11/2022 – 6/25/2022, 7/9/2022 - 7/23/2022, 8/6/2022, and 8/13/2022.

Neb. Rev. Stat. § 48-628.10 (Reissue 2021) provides the following:

> *(1) An individual shall be disqualified for benefits for the week in which he or she has been discharged for misconduct connected with his or her work, if so found by the commissioner, and for the fourteen weeks immediately thereafter.*
>
> *(2) If the commissioner finds that the individual was discharged for misconduct that was not gross, flagrant, and willful or unlawful but which included being under the influence of any intoxicating beverage or any controlled substance listed in section 28-405 not prescribed by a physician licensed to practice medicine or surgery while the individual is on the worksite or while the individual is engaged in work for the employer, the commissioner shall cancel all wage credits earned as a result of employment with the discharging employer.*
>
> *(3) If the commissioner finds that the individual's misconduct was gross, flagrant, and willful, or was unlawful, the commissioner shall totally disqualify such individual from receiving benefits with respect to wage credits earned prior to discharge for such misconduct.*

Neb. Rev. Stat. § 48-628.12 (Reissue 2021) states, in relevant part, the following:

> *An individual shall be disqualified for benefits:*
>
> * * * *
>
> *(2) For any benefit year beginning on or after October 1, 2018, for the week in which he or she has left work voluntarily without good cause, if so found by the commissioner, and for all subsequent weeks until the individual has earned wages in insured work in an amount of at least four times his or her weekly benefit amount and has separated from the most recent subsequent employment under nondisqualifying conditions.*

The Employment and Training Administration (ETA) Handbook 301, 5th Edition (July 2005), page V-11, states, in relevant part, the following:

> *A request for information which is returned by the claimant, employer or interested party with insufficient or missing information is not considered a reasonable attempt. The [State Workforce Agency] SWA must attempt to obtain the needed information.*

Good internal control requires procedures to ensure that the Department adjudicates properly each claimant’s last separation from employment.

Without such procedures, there is an increased risk of not only benefit payments being made to ineligible claimants but also noncompliance with State Statute.

Issues Regarding Separation Information Requests

The APA also found issues and questioned costs related to the Department not sending Separation Information Requests. The following table explains the issues noted:

<table>
<tr><th>Claimant</th><th>Claimant Response</th><th>Benefit Paid for Weeks Ending</th><th>Questioned Costs</th><th>Total Payments</th><th>Description of Issue</th></tr>
<tr><td>#7</td><td>Terminated / Fired</td><td>9/3/22 - 10/1/22</td><td>$ 490</td><td>$ 2,428</td><td rowspan="3">The Department failed to send the last separating employer a Separation Information Request. The questioned costs include only the payment tested by the APA.</td></tr>
<tr><td>#8</td><td>Lack of Work / Layoff</td><td>9/10/22 - 12/31/22</td><td>$ 394</td><td>$ 5,880</td></tr>
<tr><td>#9</td><td>Terminated / Fired</td><td>4/15/23 - 6/24/23</td><td>$ 286</td><td>$ 3,146</td></tr>
<tr><td colspan="3">Totals</td><td>$ 1,170</td><td>$ 11,454</td><td></td></tr>
</table>

Per Neb. Rev. Statute § 48-632(1) (Revised 2021), employers must respond to the Separation Information Request within 10 days, as follows:

> *An employer shall provide information to the department in respect to the request for information within ten days after the mailing or electronic transmission of a request.*

ETA Handbook 301, 5th Edition (July 2005), page V-13, contains the following:

> *Employer information is essential on eligible voluntary quit, discharge, refusal-of-work, and certain deductible income cases. Also, the employer must be given the opportunity to be heard and to refute information which could be adverse to the interests of the business.*

Good internal controls require procedures to ensure that Separation Information Requests are being sent to the last separating employer.

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

Untimely Follow-up of Employer Information

The Department paid benefits for a claimant's ineligible weeks, as noted in the table below:

Claimant	Claimant & Employer Response	Benefit Paid for Weeks Ending	Questioned Costs	Total Payments	Description of Issue
#10	Still Employed	1/7/23 - 1/14/23	$ 372	$ 744	The claimant filed for a temporary separation on December 21, 2022. On January 20, 2023, the employer confirmed that claimant was on leave due to a temporary lack of work and indicated that the claimant was expected to return to work on January 3, 2023. On January 30, 2023, the claimant contacted the Department to report that she had returned to work on January 9, 2023, (confirmed by the employer the following day) and should not have filed for UI benefits for the week ending January 14, 2023. On March 11, 2023, the employer provided wage documentation for the claimant, showing that she worked 80 hours for the pay period ending January 20, 2023. However, as of July 26, 2023, no follow-up had been performed by the Department regarding the wages, and an overpayment had not been established. On August 9, 2023, after notification by the APA, the Department established an overpayment for the week in question. The questioned costs include only the payment tested by the APA.

NE Rev. Statute § 48-625(1) (Cum. Supp. 2022) states, in relevant part, the following:

> *[E]ach 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.*

Good internal control requires procedures to ensure that the Department adjudicates properly each claimant's last separation from employment. This would include following up on potentially disqualifying information provided by employers and the timely establishment of overpayments.

Without such procedures, there is an increased risk of not only benefit payments being made to ineligible claimants but also noncompliance with State statute.

Claimants with Excessive Wages Issues

The APA tested five claimants who received over $250,000 in wages during the period July 1, 2022, through June 30, 2023, and an additional five claimants who received over $55,000 in wages and received over $12,000 in unemployment benefits during the period.

Benefits paid to 2 of the 10 claimants were inappropriate, as detailed in the table below:

Claimant	FY23 Wages	FY23 Questioned Costs	Description of Issue
Claimant #1	$ 382,414	$ 9,766	The employer reported a $200,000 severance payment to the claimant. After receiving the employer's response, the Department contacted the claimant to ask about the severance pay, and the claimant stated that the money received was a settlement payment, not severance. The APA found no attempts by the Department to confirm this statement with the employer, nor did the Department receive any documentation to support the claimant's statement. If the payment was severance, the claimant would not have been eligible to receive benefits until March 2024. The claimant was paid $9,766, which is considered questioned costs.
Claimant #2	$ 74,397	$ 12,740	The claimant separated from his last employer on September 1, 2022, and received his first benefit payment on November 10, 2022. However, based on wage records available to the Department, the claimant was reemployed during the period October 1, 2022, to December 31, 2022, and received wages from a new employer. The claimant received $42,186 in wages from the new employer during the period October 1, 2022, to June 30, 2023, and received $12,740 in unemployment benefits during this same time. However, the claimant reported only $5,760 in wages from the new employer during this time. On multiple occasions, the Department attempted to contact the claimant's new employer to confirm when these additional wages were earned. However, the employer failed to respond. It is likely that the claimant fraudulently certified his wages to the Department and was ineligible to receive UI benefits. The Department lacked sufficient controls to ensure that benefit payments made to claimants are not made while the claimant is also receiving disqualifying wages. The $12,740 paid to the claimant is considered questioned costs.
Totals	**$ 456,811**	**$ 22,506**	

Neb. Rev. Stat. § 48-628.02 (Reissue 2021) states, in relevant part, the following:

> *(1) 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;*
>
> * * * *
>
> *(2) Payments described in subsection (1) of this section that are made in a lump sum shall be prorated in an amount which is reasonably attributable to such week. If the prorated remuneration is less than the benefits which would otherwise be due, he or she shall be entitled to receive for such week, if otherwise eligible, benefits reduced by the amount of such remuneration. The prorated remuneration shall be considered wages for the quarter to which it is attributed.*

Good internal control requires procedures to ensure that unemployment benefits are being paid properly to claimants in accordance with State statute and Federal regulations, and all claims, including supporting documentation, are adequately reviewed for indicators of potential fraud.

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

Improper Benefits Paid to State Employees

The APA compared a list of unemployment benefit claimants to the State's employee management system to identify State employees who had also received unemployment benefits during the fiscal year ended June 30, 2023. The APA then compared the weeks these individuals were paid UI benefits to the weeks they were paid wages from the State.

In total, the APA identified 30 State employees who received UI benefits for weeks they were also employed with the State. We selected six of those employees to test. During fiscal year 2023, the Department paid $5,119 in improper unemployment benefits to State of Nebraska (State) employees for three of six claimants tested. All three claimants failed to report any wages and are included in the table below:

Claimant	Wages per State Accounting System	Benefits Paid	APA Calculated Benefits to be Paid	Overpayments
Claimant #1	$ 1,441	$ 980	$ -	$ 980
Claimant #2	$ 5,288	$ 5,654	$ 1,781	$ 3,873
Claimant #3	$ 365	$ 394	$ 128	$ 266
Total Overpayments				**$ 5,119**

In addition to the overpayments noted above, Claimants #2 and #3 voluntarily left employment with the State, while receiving UI benefits, for reasons that are not defined as good cause by Neb. Rev. Stat. § 48-628.13 (Reissue 2021). Due to this, the claimants would be disqualified for benefits from the week in which they left work voluntarily and all subsequent weeks until they had earned wages in insured work in an amount at least four times the weekly benefit amount on their current claim, per Neb. Rev. Stat. § 48-628.12 (Reissue 2021). The APA noted that, together, the claimants were paid $4,751 in UI benefits after their disqualifying separations.

Active State workers may be eligible for unemployment benefits if: 1) their work hours were reduced; b) they were terminated from other employment; or c) their hours from another job were reduced. In these instances, the employee would be required to report his or her wages earned from the State to determine both eligibility and benefit amount.

Neb. Rev. Stat. § 48-625(1) (Cum. Supp. 2022) provides, in relevant part, the following:

> *[E]ach 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.*

Neb. Rev. Stat. § 48-628.02 (Reissue 2021) states, in relevant part, the following:

> *(1) 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.

(2) Payments described in subsection (1) of this section that are made in a lump sum shall be prorated in an amount which is reasonably attributable to such week. If the prorated remuneration is less than the benefits which would otherwise be due, he or she shall be entitled to receive for such week, if otherwise eligible, benefits reduced by the amount of such remuneration. The prorated remuneration shall be considered wages for the quarter to which it is attributed.

Neb. Rev. Stat. § 48-628.12 (Reissue 2021) states, in relevant part, the following:

An individual shall be disqualified for benefits:

* * * *

(2) For any benefit year beginning on or after October 1, 2018, for the week in which he or she has left work voluntarily without good cause, if so found by the commissioner, and for all subsequent weeks until the individual has earned wages in insured work in an amount of at least four times his or her weekly benefit amount and has separated from the most recent subsequent employment under nondisqualifying conditions.

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

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

<u>Wage Crossmatch Issues</u>

According to 20 CFR § 603.23(b) (April 1, 2023), the Department is required to perform a quarterly wage crossmatch to check against the Department's wage database to determine whether a claimant met the Department's criteria for further investigation. If the criteria were met, an investigation should automatically be created in the benefit system. The Department's investigation included sending a wage audit request to the employer to obtain the wages earned for each week that the claimant was receiving benefits.

The Department's procedure provided to the APA stated the following:

The quarterly crossmatch runs for 2 quarters in arrears. I.E. If we are in 3rd quarter of 2022 it will run for 1st quarter of 2022 and it checks 2nd quarter of 2022. Then if we are in 4th quarter of 2022 it will run for 2nd quarter of 2022 and it checks 3rd quarter of 2022.

From the APA's review of the initial 40 random payments tested above (page 87), the crossmatch does not appear to be working as intended. One of these payments was to an individual who received UI benefits for weeks ending February 11, 2023, through March 11, 2023, and who also received $2,282 in wages during this quarter. The employee was not identified when the Department ran the wage crossmatch on May 20, 2023.

Therefore, the APA selected a separate random sample of 40 claimants who received UI benefit payments during calendar year 2022 to test the fiscal year 2023 wage crossmatch control process. From this separate sample, another 11 claimants met the criteria; however, an investigation was not created. For another two claimants, an investigation was created, and an employer response was received by the Department; however, this information was not used to adjudicate the claim in a timely manner.

The following table details the wages of these 13 claimants for the quarter tested, the amounts self-certified by the claimants, and the benefits paid to the claimants. A Wage Audit Request was sent for 10 of these claims, and the APA was able to determine that the payments were supported. The APA determined that 3 of the 13 payments were unsupported, as the Department failed to send the employer a wage audit request for the weeks in question.

Claimant	Quarter Ending	Benefits Paid for the Quarter	Wages Paid for the Quarter	Wages Certified by Claimant	Payment Tested	Unsupported Payments	Date Investigation Created	Wage Audit Sent?
#1	3/31/22	$ 572	$ 4,561	$ -	$ 116	$ 116	Not Created	No
#2	3/31/22	$ 4,104	$ 3,174	$ 720	$ 456	$ 456	Not Created	No
#3	3/31/22	$ 3,280	$ 857	$ 563	$ 366	$ -	Not Created	Yes
#4	6/30/22	$ 2,096	$ 1,235	$ -	$ 262	$ -	Not Created	Yes
#5	6/30/22	$ 2,870	$ 1,536	$ 1,488	$ 410	$ -	Not Created	Yes
#6	6/30/22	$ 810	$ 2,317	$ -	$ 162	$ -	5/21/2023	Yes
#7	9/30/22	$ 2,940	$ 5,384	$ -	$ 980	$ -	Not Created	Yes
#8	6/30/22	$ 480	$ 1,799	$ -	$ 120	$ 120	Not Created	No
#9	9/30/22	$ 1,980	$ 495	$ 1,600	$ 396	$ -	Not Created	Yes
#10	9/30/22	$ 4,048	$ 700	$ -	$ 368	$ -	Not Created	Yes
#11	9/30/22	$ 1,960	$ 8,411	$ -	$ 490	$ -	Not Created	Yes
#12	9/30/22	$ 5,390	$ 4,025	$ -	$ 490	$ -	Not Created	Yes
#13	12/31/22	$ 2,450	$ 20,337	$ 118	$ 490	$ -	5/21/2023	Yes

The Department stated that, due to the volume of investigations open and the staff available to review and complete them, the investigations created from the quarterly wage crossmatches are low priority because they will not identify improper payments until after the payments have been made.

Our testing included payments totaling $13,978 and resulted in $692 in unsupported payments. The benefit payments for calendar year 2022 totaled $56,916,501. Based on the sample tested, the dollar error rate for the sample was 4.95% ($692/$13,978), which estimates the potential dollars at risk for calendar year 2022 to be $2,817,367.

Good internal control requires procedures to ensure that wage crossmatches are performed, and benefits are paid in compliance with applicable Federal requirements.

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

> We recommend the Department implement procedures to prevent the payment of improper UI benefits by ensuring compliance with applicable State and Federal requirements. At a minimum, those procedures should ensure the following: 1) proper adjudication actions – including wage crossmatches, investigations into suspect separation from employment information, and separation information requests being sent to employers – are undertaken; and 2) neither ineligible State employees nor other ineligible claimants receive benefit payments.

Department Response:

Adjudication of Employer Responses

The Department acknowledges the findings in the Adjudication of Employer Responses. The Department has been working to improve its quality and has coached the adjudication team on ETA requirements for *follow-up with employers. Separation issues as a cause of improper payment decreased from 6.245% in FY 2022 to 3.173% in FY 2023.*

Issues Regarding Separation Information Requests

The Department continues to work extensively with their vendor to address and resolve the issues related to separation information requests. The Department has also revised its adjudication process to manually address these issues pending the vendor completion of the needed corrections.

Untimely Follow-up of Employer Information

The Department acknowledges the overpayment should have been established in a timelier manner, but timely processing the employer information would not have impacted the overpayment amount. All information regarding the ineligible week was received after payment had been made. The Department was able to recover the overpaid amount in full. The Department has increased staff in its Benefit Integrity Unit and is working with the unit and individuals to properly prioritize workloads and more timely address known issues on claims.

Claimants with Excessive Wages Issues

The Department acknowledges the findings related to claimants with excessive wage issues. The one-time error addressed in the Claimants with Excessive Wages for Claimant #1 will be brought to the appropriate individual's attention and they will be provided with the necessary guidance and support. For Claimant #2, the Department will pursue other legal remedies, due to the extraordinary level of non-cooperation of the employer, to compel compliance by the employer so it can be determined if benefits were fraudulently claimed.

Improper Benefits Paid to State Employees

The Department acknowledges the findings related to the benefits paid to state employees. The Department has or will take the appropriate steps for correction. An overpayment has been established for the full amount for both Claimant #1 and Claimant #3. For Claimant #2, an overpayment has been established and the claimant will be referred for prosecution.

Wage Crossmatch Issues

The Department acknowledges that 11 of the wage crossmatches identified in the audit were due to a vendor identified error, which has since been addressed. For the remaining two claims, investigations set as expected, employer responses were received, and overpayments were established within the statutorily allowed timeframe.

MILITARY DEPARTMENT

Finding 2023-015

Accounting Errors

The Department is responsible for the accurate recording of financial transactions in the State's accounting system. The Department of Administrative Services – State Accounting Division (State Accounting) prepared accrual entries for the Annual Comprehensive Financial Report (ACFR) based on the information recorded in the accounting system. The Auditor of Public Accounts (APA) reviewed transactions to ensure the proper presentation of the financial statements, including determining whether the entries were recorded in the proper fiscal year.

During testing of the Department's accrued accounts payable, the Nebraska Emergency Management Agency (NEMA) provided the following email response on October 31, 2023:

> *Please see the attached policy (POL-02-033 Finance Process for Prior Year versus Current year Payments), NEMA determines whether the payment is a P9 or a PV based when the FEMA and NEMA reviews are completed and the documentation is [sic] verified and validated. <u>It is not until this time that it becomes an obligation to the state.</u>*

(Emphasis added.) Raising some concerns with the APA, the above message precipitated discussions with State Accounting regarding whether the Department was recording transactions in the proper fiscal year. Those discussions resulted in the agreement that guidance from the Governmental Accounting Standards Board (GASB) requires the recognition of a payable when reimbursement eligibility requirements are met, not when the costs have been submitted for reimbursement and reviewed and validated.

Because our concerns pertained to the Department's procedures for recording expenses in the proper fiscal year, State Accounting asked the Department whether certain other payments should also be considered prior period expenses. The following transactions were found to be recorded to the wrong fiscal year:

Description of Errors	Amount
Several transactions processed by the Department from October 2022 to June 2023 were recorded as fiscal year 2023 activity, but the transactions were for prior to fiscal year 2023. Therefore, the APA proposed, and State Accounting recorded, an adjustment to correct the Federal Fund activity.	$ 35,094,054
Several transactions processed by the Department from July 2023 to September 2023 were recorded as fiscal year 2024 transactions, but the transactions were for prior to fiscal year 2023. Therefore, the APA proposed, and State Accounting recorded, an adjustment to correct the Federal Fund activity.	$ 17,075,920
Two entries for the reimbursement of expenditures from the Federal Emergency Management Agency (FEMA) and related to the COVID-19 pandemic were not properly recorded in the accounting system. The entries were recorded as fiscal year 2023 activity but were related to fiscal year 2022 activities. The APA proposed, and State Accounting recorded, adjustments of $13,837,681 to the Other Special Revenue Fund and $1,217,780 to the General Fund.	$ 13,837,681 $ 1,217,780
Several transactions processed by the Department from July 2023 to September 2023 were recorded as fiscal year 2024 transactions, but the transactions were for fiscal year 2023. Therefore, the APA proposed, and State Accounting recorded, an adjustment to correct the Federal Fund activity.	$ 1,626,674
One transaction processed by the Department in October 2023 was recorded as a fiscal year 2024 transaction, but it was for a fiscal year 2023 transaction and payable to another State agency. Therefore, the APA proposed, and State Accounting recorded, an adjustment to correct the Federal Fund activity.	$ 351,900

A proper system of internal control requires policies and procedures to ensure transactions are recorded in the proper fiscal year to allow for the accurate presentation of the State's financial statements. Without such procedures, there is an increased risk for a material misstatement of the State's financial statements.

> We recommend the Department review its procedures for recording payments to the proper fiscal year to ensure the accurate presentation of the State's financial statements. If any questions arise, the Department should consult with State Accounting for the proper resolution thereof.

DEPARTMENT OF NATURAL RESOURCES

Finding 2023-016

Water Sustainability Fund Reimbursements

During fiscal year 2023, the Department paid $5,408,652 in Water Sustainability Fund expenditures for two projects that should have been accounted for as prior fiscal year expenditures.

The APA proposed an adjustment to the State's financial statements to correct the Department's incorrect accounting of these expenditures. The beginning balance adjustment included $3,655,357 for fiscal year 2021 and prior expenditures and $1,753,295 for fiscal year 2022 expenditures.

A proper system of internal controls requires procedures to ensure that expenditures are reported within the correct fiscal year. Without such procedures, there is an increased risk of material misstatement of the financial statements.

> The APA recommends the Department implement procedures to ensure that all expenditures are recorded in the correct fiscal year.

Department's Response: The Department will be implementing corrective procedures to ensure that all expenditures are recorded in the correct fiscal year to reduce the risk of material misstatement of the financial statements pursuant to State Accounting guidelines.

PUBLIC EMPLOYEES RETIREMENT SYSTEMS

Finding 2023-017

Financial Statement Error

The State's Deferred Compensation Plan (Plan) is authorized by Internal Revenue Service Code § 457 and is a voluntary retirement savings plan that allows State employees to defer and invest a portion of their compensation for retirement. Ameritas Life Insurance Company (Ameritas) is a private sector administrator for the Plan, except for member accounts maintained at Empower Retirement Systems (Empower) – formerly Mass Mutual Retirement Services. As of February 2022, the Nebraska Public Employees Retirement Board (Board) approved the termination of the contract with Empower effective October 1, 2022. Upon termination of the contract, funds were liquidated and rolled over to Ameritas.

In our calendar year 2022 attestation of the Plan, the Auditor of Public Accounts (APA) identified a significant accounting error related to the transfer of assets from Empower to Ameritas. Specifically, $19,854,534 in transferred liquidated assets were recorded as a disbursement from member accounts, causing benefit payments to be overstated.

NPERS staff failed to correct the error or to notify the Department of Administrative Services – State Accounting Division (State Accounting) that the Plan's financial information was incorrect. Having identified additional amounts that were recorded improperly from January 2023 to June 2023, the APA proposed a $19,901,528 adjustment to the financial statements, which was recorded by State Accounting.

A proper system of internal controls requires procedures to ensure reliable financial information. Without such procedures, there is an increased risk for material misstatement of the State's financial statements.

> We recommend NPERS implement procedures to ensure its financial activity is recorded properly to produce reliable financial information.

NPERS Response: We have reviewed our procedures with NPERS (Nebraska Public Employees Retirement System) staff to make sure that staff understand the importance of properly recording the financial activity of the agency.

DEPARTMENT OF REVENUE

Finding 2023-018

Incorrect Coding of Tax Receipts

The Department failed to record certain taxes properly in the State's accounting system, including lodging taxes, taxes assessed on wind energy farms, also called nameplate capacity taxes, and the prepaid wireless surcharge.

The table below shows the amounts of those improperly recorded taxes, which were collected and distributed in fiscal years 2023 and 2022:

Description of Tax	FY 23	FY 22
Collections		
Lodging Tax	$ 28,634,947	$ 25,856,877
Nameplate Capacity Tax	$ 11,506,331	$ 8,136,069
Prepaid Wireless Surcharge	$ 4,621,468	$ 4,634,354
Refunds/Transfers		
Lodging Tax	$ 27,866,548	$ 25,486,991
Nameplate Capacity Tax	$ 11,503,119	$ 7,670,682
Prepaid Wireless Surcharge	$ 4,249,360	$ 4,636,768

The Department recorded these taxes improperly to the State Highway Fund, which is a fund used to support the State's highway and transportation systems. The taxes included in the table above should not be recorded to that fund.

The following list identifies the funds to which these taxes should have been recorded:

Lodging Taxes: The lodging taxes collected by the Department are distributed to counties and the State's Visitor Promotion Fund. Additionally, a portion is maintained by the Department for an administrative fee. Therefore, those distributions should be recorded to an Other Special Revenue Fund, the Economic Development Fund, and the State General Fund, respectively.

Nameplate Capacity Tax: The purpose of the nameplate capacity tax is to replace property taxes currently imposed on renewable energy infrastructure, and they are distributed completely to the counties in which the taxes were collected. The taxes should be recorded to an Other Special Revenue Fund.

Prepaid Wireless Surcharge: This is a charge that is required to be collected by a seller from a consumer for prepaid wireless services. Most of the surcharges collected are credited to the 911 Service System Fund, the Nebraska Telecommunications Relay System Fund, and the Nebraska Telecommunications Universal Service Fund, and they should be recorded to the Licensing and Regulation Fund in the Annual Comprehensive Financial Report (ACFR). A small portion is retained by the Department as an administrative fee and should be recorded to the General Fund.

The Auditor of Public Accounts (APA) advised the Department of the incorrect coding and requested correcting entries to be provided. The Department provided correcting entries totaling $58 million to the Department of Administrative Services - State Accounting Division (State Accounting), who recorded them into the State accounting system.

Despite being notified of the incorrect amounts, the Department failed to calculate the correcting entries properly, and the APA identified significant additional errors in those calculations. Correcting these additional errors by the Department required considerable work by both the APA and State Accounting.

The following table shows the amount of additional corrections that were needed for each tax type:

Description of Tax	Amount
Lodging Tax	$ 14,185,375
Nameplate Capacity Tax	$ 6,042,973
Prepaid Wireless Surcharge	$ 1,162,009

A proper system of internal control requires procedures to ensure that tax receipts are recorded properly in the accounting system to allow for the accurate presentation of the State's financial statements. Without such procedures, there is an increased risk for material misstatements in the financial statements.

> We recommend the Department work with State Accounting to ensure the proper recording of these tax receipts in the accounting system and, subsequently, the State's financial statements.

Department Response: Department staff have already had preliminary discussions with State Accounting regarding this issue and are looking to establish new distributive funds to track these tax receipts once internal testing and mapping is complete.

Finding 2023-019

ACFR Preparation Issues

State Accounting prepares the ACFR and requires all State agencies to determine and to report accurately certain other financial information on accrual response forms to ensure the proper presentation of the financial statements and note disclosures. The other financial information includes the determination of various taxes receivable, construction-in-progress (CIP), and footnote disclosures.

The Department provided inaccurate information to State Accounting, as described in more detail below.

Delinquent Taxes Receivable
The Department is responsible for estimating the amount of its various taxes receivable. Delinquent taxes are those for which a tax return has been filed, but the amount owed has yet to be remitted by the taxpayer. The Department calculated the anticipated collections on these balances as the delinquent taxes receivable.

The Department's calculation procedure is twofold. First, protested audit balances are removed from the original balance due, and an estimated collection is determined for the remaining balances. Protested audit balances are cases in which the taxpayer has been determined to owe taxes, but the amount owed has been protested by the taxpayer. A separate estimate is prepared for the protested balances because the collection percentage for these cases is generally lower than the estimated collections for the regular delinquent balances. The sum of the two estimates is the total expected collections on delinquent tax accounts.

The following table summarizes the total balances due on June 30, 2023, as well as the estimated collection percentages and the amounts due:

Description	Sales and Use Taxes	Withholding Tax	Individual Income Tax	Corporate Income Tax
Total Taxes Owed by Taxpayers	$ 58,400,026	$ 18,422,879	$ 125,118,131	$ 58,442,587
Estimated Collection %	17%	25%	13%	36%
Total Collection without Protested	**$ 9,928,004**	**$ 4,605,720**	**$ 16,265,357**	**$ 21,039,331**
Taxes Owed for Protested Balances	$ 60,820,709	$ 494,720	$ 32,970,586	$ 280,149,943
Estimate Collection %	41%	4%	2%	1%
Total Collection on Protested Balances	**$ 24,936,491**	**$ 19,789**	**$ 659,412**	**$ 2,801,499**
Total Delinquent Taxes Receivable	**$ 34,864,495**	**$ 4,625,509**	**$ 16,924,769**	**$ 23,840,831**

The APA found more than $10 million in errors related to the Department's calculation of the delinquent taxes receivable, as detailed in the table below:

Description	Reason	Dollar Error
Delinquent Individual Income Taxes	The Department's amount of taxes owed for protested balances was incorrect, as it included amounts that had yet to be assessed, which also made the total taxes owed by taxpayers to be incorrect. Additionally, the Department had not analyzed its collections history to determine an actual collection percentage. Instead, it had calculated a five-year average based on the change in balances from year to year. After working with the Department's collections division, the estimated collection percentage was revised from 8% to 13%, increasing the total receivable by $6,259,852. The total receivable is then classified as short-term and long-term receivable amounts. The Department's original calculation of short-term and long-term receivables was understated by $1,043,309 and $5,216,543, respectively.	$ 6,259,852
Delinquent Corporate Income Taxes	The Department's amount of taxes owed by taxpayers was overstated by approximately $2.9 million, as it included a protested balance due. Additionally, the Department's calculation of the estimated collections of delinquent corporate income tax balances was inaccurate because the Department had used the same collection rate for the past seven years. As noted previously, the Department's collection percentage was based on the change in balances from year to year. When the balances increased, or when the collection percentage was determined to be reasonable, the Department reverted to a collection percentage from what it considered the last year with good data. In this case, that was for tax year 2016. After working with the Department's collections division, the estimated collection percentage was revised from 40% to 36%, decreasing the total receivable by $3,513,799. Therefore, the Department's calculation of the short-term and long-term receivable amounts was overstated by $585,633 and $2,928,166, respectively.	$ 3,513,799
Delinquent Withholding Taxes	The Department's calculation of the protested withholding balances contained duplicate entries and was overstated by $1.2 million; therefore, the total taxes owed by taxpayers was also incorrect. Additionally, the Department had not analyzed its collections history to determine an actual collection percentage. Instead, it had calculated a five-year average based on the change in balances from year to year. After working with the Department's collections division, the estimated collection percentage was revised from 28% to 25% for the total balance and from 1% to 4% for the protested balances. These changes increased the total receivable by $683,442. The Department's original calculation of short-term and long-term receivables was understated by $113,907 and $569,535, respectively.	$ 683,442
Total		**$ 10,457,093**

As a result of the errors noted above, the APA proposed, and State Accounting posted, an adjusting entry to reflect properly the Department's delinquent taxes receivables.

Taxes Receivable

The Department performed separate calculations to determine the amount of taxes receivable at fiscal year-end. The calculation included a review of the subsequent July or August tax receipts to determine the amount attributed to tax months during fiscal year 2023. The APA found more than $4.5 million in errors related to the Department's calculation of these taxes receivable, as detailed in the table below:

Description	Reason	Dollar Error
Corporate Income Tax Receivable	The Department's calculation failed to include significant receipts in July and August 2023 from certain corporate tax categories. The most significant tax category excluded was related to corporation income tax returns filed on Form 1120N. The APA also found an error related to one estimated corporate income tax receipt of $99,500, which was related to September 2023 and should not have been in the Department's receivable calculation. Finally, the Department failed to review adequately the receipts for estimated taxes in which the tax year is not known to ensure those receipts are included or excluded appropriately as taxes receivable.	$ 2,820,876
Individual Income Tax Receivable	The Department's calculation failed to include significant receipts in July and August of 2023 from one tax category for tax periods prior to January 2023. The Department also failed to review adequately the receipts for individual estimated and withholding taxes received in which the tax year is not known to ensure those receipts are included or excluded appropriately as taxes receivable.	$ 1,822,610
Total		**$ 4,643,483**

As a result of the errors noted above, the APA proposed, and State Accounting posted, an adjusting entry to reflect properly the Department's taxes receivables.

CIP Reporting Errors

The Department failed to report properly two information technology (IT) projects to DAS; therefore, the project expenses were not included as CIP in the financial statements and related footnote disclosures.

Description	Amount
Project expenses related to the conversion of the partnership tax processing system to the mainframe system were not reported to State Accounting.	$ 128,257
Project expenses related to the update of the NebFile system for individual income tax filings were not reported to State Accounting.	$ 122,052
Total	**$ 250,309**

As a result of the errors noted above, the APA proposed, and State Accounting posted, an adjusting entry to reflect properly CIP.

The State Accounting Manual, AM-005, General Policies, Section 28 ("Capital Outlay"), states the following:

> *Computer software that is internally developed, or commercially available software that is modified using more than minimal incremental effort before being put into operation, shall be capitalized as a separate asset if the cost is $100,000 or more and has a life greater than one year. During the application development stage . . . the costs should be accumulated in object account 587550 – IT Projects in Progress. Once the project is complete the costs are moved to 583720 or 583770 – COTS Development or Customized Development.*

Tax Abatement Footnote
Statement No. 77 of the Governmental Accounting Standards Board (GASB 77) requires the State to disclose specific information about tax abatement agreements to which it is a party. Tax abatement is defined as follows:

> *[a] reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.*

The Department is responsible for determining the information included in the tax abatement footnote. The APA found errors in the reported amounts for two tax abatement programs, as shown in the table below:

Program	Originally Reported	Correct Amount	Variance
Nebraska Advantage Act	$ 222,801,778	$ 222,394,134	$ 407,644
Affordable Housing Tax Credit Act	$ 10,695,148	$ 10,669,414	$ 25,734
Total			**$ 433,378**

The APA also found other errors in the footnote, including incorrect statutory citations, missing municipalities, and grammatical errors.

A proper system of internal control requires procedures to ensure the complete and accurate reporting of financial information to State Accounting for the proper presentation of the State's financial statements and footnote disclosures. Without such procedures, there is an increased risk that material misstatements will go undetected.

> We recommend the Department implement procedures to improve its procedures for calculating and reporting significant accounting information to State Accounting at fiscal year-end to help ensure the proper presentation of the financial statements and footnote disclosures. The Department should ensure all information reported to State Accounting is subject to a secondary review to ensure its accuracy.

Department Response: For the items noted above, the Department acknowledges the updated collection receivable calculation proposed by the APA and recognizes that information that is more accurate helps in the preparation of better financial statements for the ACFR.

DEPARTMENT OF TRANSPORTATION

Finding 2023-020

Year End Financial Information Errors

The Department of Administrative Services - State Accounting Division (State Accounting) is responsible for the preparation of the State's Annual Comprehensive Financial Report (ACFR) and requires all State agencies to determine and report receivable and payable amounts, along with other financial information not already considered within the State's accounting system at the end of the year.

The table below details over $37 million in errors made by the Department in the financial information reported to State Accounting:

Description	Amount
The Department participates in road projects financed by Federal, State, and/or local entities. In some cases, local governments provide their share of the funding when the contract is awarded, which creates a liability for the Department called "Deposits by Locals." In other cases, the local governments are billed for their share of the funding on a progress basis, and the Department creates an accounts receivable called "Accounts Receivable from Locals." During its accumulation of these accruals, the Department overstated each accrual by $19,079,795 due to the incorrect calculation of manual adjustments (adding instead of subtracting) made to the amounts reported from the Department's system. This same mathematical error has occurred since fiscal year 2021.	$ 19,079,795
Another Departmental accrual is called "Accounts Receivable from Others," which includes receivables from local governments, railroads, other states, and individuals who have been billed for damages to State property. The Department overstated this accrual by $16,119,546 because it was recorded as a receivable both in the State's accounting system and then again on the accrual response form submitted to State Accounting. Therefore, the receivable was recorded twice.	$ 16,119,546
Accounts Receivable from the Federal Government are amounts that the Department paid to outside entities and requested from the Federal government but have yet received. The Department understated this receivable by $1,532,700 because it reported only amounts requested from the Federal government in July 2023 and did not include amounts previously requested that were still outstanding as of June 30, 2023.	$ 1,532,700
The State Aid Bridge Fund was created to aid counties for the replacement of bridges. Each month, $64,000 is transferred from the Highway Trust Fund to the State Aid Bridge Fund for this purpose. As bridge projects are completed, the Department pays the initial expense from the Roads Operations Cash Fund. Then a journal entry is processed to reimburse the Roads Operations Cash Fund from the State Aid Bridge Fund. In fiscal year 2023, the Department transferred $768,727 from the State Aid Bridge Fund to the Roads Operations Cash Fund; however, only $210,502 in fiscal year 2023 expenditures were recorded in that fund. The rest of the Department's reimbursement was for prior fiscal year expenses. This resulted in expenses in fiscal year 2023 being understated by $558,225, as the amounts related to prior fiscal years should have been coded as a beginning balance adjustment.	$ 558,225
Total	**$ 37,290,266**

The Auditor of Public Accounts (APA) proposed, and State Accounting recorded, adjustments related to these errors so that the State's financial statements were materially correct.

A similar finding was noted in the previous two audits. In fiscal year 2021, the adjustments to the financial statements totaled $32,475,890, and the adjustments in fiscal year 2022 totaled $14,870,735.

The Summary Schedule of Prior Audit Findings lists the status of this finding as "in process" due to staffing turnover. Title 2 CFR § 200.511(a) (January 1, 2023) requires that 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 proper system of internal control requires procedures to ensure complete and accurate financial information is provided to State Accounting for financial statement presentation. Without such procedures, there is an increased risk of material misstatements occurring and remaining undetected.

> We recommend the Department implement procedures to ensure the accuracy of the financial information reported to State Accounting. This would include a documented review and approval of the reported accruals by both the Budget and Finance Manager and the Chief Financial Officer.

Department Response: Additional teammates at NDOT will assist in the preparation, review, and oversight of the ACFR throughout the fiscal year to ensure accuracy when the final accrual responses are subsequently reported at the end of the fiscal year. Additionally, prior to submission of the accrual response form to DAS State Accounting, NDOT will confer with DAS State Accounting to verify accuracy of the information submitted.

III. Findings and Questioned Costs Relating to Federal Awards:

DEPARTMENT OF ADMINISTRATIVE SERVICES

Finding 2023-021

Program: Various, including AL 93.778 – Medical Assistance Program (Medicaid), and AL 93.563 – Child Support Enforcement – Allowable Costs/Cost Principles

Grant Number & Year: Various, including 2205NE5ADM, FFY 2022; 2201NECSES, FFY 2022

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

Criteria: 2 CFR § 200.403 (January 1, 2023) and 45 CFR § 75.403 (October 1, 2022) state, in relevant part, the following:

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

* * * *

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.

* * * *

(g) Be adequately documented.

2 CFR § 200.405(b) (January 1, 2023) and 45 CFR § 75.405(b) (October 1, 2022) state, in relevant part, the following:

All activities which benefit from the non-Federal entity's indirect (F&A) cost, including unallowable activities and donated services by the non-Federal entity or third parties, will receive an appropriate allocation of indirect costs.

2 CFR § 200, Appendix V, subsection (G)(2), (January 1, 2023) and 45 CFR § 75 Appendix V, subsection (G)(2), (October 1, 2022) state the following:

Internal service funds are dependent upon a reasonable level of working capital reserve to operate from one billing cycle to the next. Charges by an internal service activity to provide for the establishment and maintenance of a reasonable level of working capital reserve, in addition to the full recovery of costs, are allowable. A working capital reserve as part of retained earnings of up to 60 calendar days cash expenses for normal operating purposes is considered reasonable. A working capital reserve exceeding 60 calendar days may be approved by the cognizant agency for indirect costs in exceptional cases.

2 CFR § 200, Appendix V, subsection (G)(4), (January 1, 2023) and 45 CFR § 75 Appendix V, subsection (G)(4), (October 1, 2022) state, in relevant 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 revenues generated by each billed service (including 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.

Neb. Rev Stat. § 81-1120.22 (Cum. Supp. 2022) states the following:

> *The Director of Communications shall develop a system of equitable billings and charges for communications services provided in any consolidated or joint-use system of communications. Such system of charges shall reflect, as nearly as may be practical, the actual share of costs incurred on behalf of or for services to each department, agency, or political subdivision provided communications services. Using agencies shall pay for such services out of appropriated or available funds. Beginning July 1, 2011, all payments shall be credited to the Communications Revolving Fund. Beginning July 1, 2011, all collections for payment of telephone expenses shall be credited to the Communications Revolving Fund.*

2 CFR § 200.444(a) (January 1, 2023) and 45 CFR § 75.444(a) (October 1, 2022) state, in relevant part, the following:

> *For states . . . the general costs of government are unallowable . . . . Unallowable costs include:*
>
> *(1) Salaries and expenses of the Office of the Governor of a state . . . .*
>
> *(2) Salaries and other expenses of a state legislature . . . .*

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.

Condition: The Agency did not have adequate documentation to support the allocation of information services and communications costs in developing rates charged by the Office of the Chief Information Officer (OCIO). Additionally, the OCIO did not maintain adequate documentation to support that charges were reasonable, equitable, and consistently applied.

We also noted the Agency did not have adequate documentation to support the allocation of security costs in developing building rental rates, and the Agency's Materiel Division did not maintain adequate documentation to support that charges were reasonable, equitable, and consistently applied.

A similar finding has been noted in prior audits since 2015.

Repeat Finding: 2022-017

Questioned Costs: Unknown

Statistical Sample: No

Context: We noted the following:

<u>Office of the Chief Information Officer (OCIO)</u>

For 6 of 14 OCIO rates selected for testing, documentation provided by the division was not adequate to support the rate charged.

- Five of the rates selected utilized an employee time allocation spreadsheet prepared by the OCIO. The spreadsheet was prepared by supervisors utilizing an estimate of how much time each year every employee spends on services provided by the division. During testing, it was noted that these estimates are not backed by a time study, nor is a review of actual hours worked on each service completed by the division.

- For one rate selected, we identified variances between the total for networking equipment used in the calculation of the rate charged and the totals per the supporting documentation provided, netting to $1,313,693. When asked about the variances, the OCIO was unable to explain why the amounts did not agree.

- For one rate tested, the rate included equipment and maintenance costs incurred by the University of Nebraska (University). The fee was related to the network operated and maintained by Network Nebraska (a collaborative aggregation partnership between the OCIO, the University, and the Nebraska Educational Telecommunications commission). The OCIO receipts funds from the services provided to participants on the network. However, it was noted during testing that the OCIO does not pay the University for its portion of costs incurred for this fee. Per documentation provided to support the calculation of the rate charged, the University incurs $582,049 of the total annual costs of $788,510.

For 8 of 14 OCIO rates selected for testing, the rate charged was not reasonable or was improper.

- For the six rates previously mentioned above, we were unable to determine if the rate was proper due to the lack of supporting documentation.

- For one rate tested, we noted that actual costs incurred for the service provided recalculated to 40 cents per unit. The OCIO charged 22 cents per unit for the service. Total units sold for the service in calendar year 2022 were 39,348,448, resulting in an expected loss of $7,165,169.

- For one rate tested, we noted that the rate calculation included employee salaries as a base for costs incurred. Per the calculation, the OCIO utilized salaries that were effective as of January 1, 2018. We compared the hourly compensation for a sample of employees at January 1, 2018, and as of July 1, 2021. During this period, we noted an average pay increase of 9.1% for the employees selected; thus, the rate charged is inappropriate per the actual costs incurred for providing the service.

For 3 of 15 OCIO receipts tested, documentation provided was not adequate to support the rate charged.

- For one receipt tested, we noted that the OCIO did not charge from an outside communications provider at the same rate that was shown on the invoice from the provider. These rates were “Re-rated” by the OCIO and then charged to the agency. The OCIO could not provide support for how the re-rates were determined. The APA selected seven rates from the OCIO billing to trace to support, and five of those rates could not be traced back to the provider invoice. Of the total payment of $116,175, $11,397 was charged at a rate that could not be traced to support.

- For one receipt tested, we noted that the amount charged for a monthly Supreme Court retainer fee of $56,250 is determined by a rate calculated by the OCIO, but the OCIO could not provide support for the amounts used in the calculation.

- For one receipt tested, $9,057 was charged for IT Support. This was based on an employee’s annual salary being paid 90% by the agency and 10% by the OCIO. The OCIO could not provide supporting documentation for how the 90/10 split was determined.

In addition to the testing mentioned previously, we asked the OCIO how rates are calculated and what procedures are performed to ensure that the rates are appropriate. Most of the rates selected for testing were last updated in 2020. The staff that created these rates are no longer with the OCIO due to turnover. The OCIO reviews each rate on a yearly basis to determine if the amount charged is appropriate based on actual costs incurred. However, no documentation on the individual rate setting processes was developed or maintained when the rates were initially created.

The APA reviewed the OCIO's fund balances and found them to be compliant with Federal regulations. However, because some rates charged are improper or inadequately supported, there is a risk of some Federal programs being overcharged and some being undercharged.

The OCIO receipted $36,684,244 in Federal dollars for services performed for Federal programs. Of this amount, $16,480,956 was charged to Medicaid, and $4,597,226 was charged to Child Support Enforcement.

Building Division

The rental rate charged to agencies for building space includes an allocation for indirect administrative costs, grounds keeping, security, and energy management. We noted that security costs were allocated for neither the Capitol nor the Governor's residence, even though security is provided at those locations. Because those locations were not allocated any security costs, Federal programs could be overcharged. Additionally, security costs for the Capitol and the Governor's residence are general costs of government and, therefore, not allowable. The fiscal year 2023 indirect allocations for security were $785,709.

Print Shop

As noted in prior audits, the Print Shop lacked adequate support for service rates charged. The Agency was in the process of developing new rates using a new methodology, but no changes were made for fiscal year 2023. Receipts from sales for fiscal year 2023 totaled $3,058,910.

Cause: Inadequate procedures. Per the Agency, the methodology used to allocate the security allocation is based on a management decision; however, management cannot simply choose to disregard Federal regulations.

Effect: When information services and communications costs are not allocated to all agencies in an equitable manner, there is an increased risk that Federal programs will not be charged in accordance with Federal cost principles. Additionally, without adequate controls and procedures to ensure rates are equitable and based on actual costs, there is an increased risk that Federal programs or State agencies will be overcharged for services. When security costs are not allocated to all buildings in an equitable manner, Federal programs will not be charged in accordance with Federal cost principles.

Recommendation: We recommend the Agency review its allocation of information and communications costs to ensure that the costs are allocated in an equitable manner to all activities that benefit from the services. Additionally, we recommend the Agency maintain adequate documentation to support charges and ensure rates are equitable and reflect the actual costs incurred for services. We also recommend the Agency improve procedures to ensure that published rates are the actual rates charged. Lastly, we recommend the Agency review its allocation of security costs to ensure that the costs are allocated in an equitable manner to all activities that benefit from the services, in accordance with Federal regulations.

> **Management Response:** The OCIO agrees with the findings as identified by the APA. The Building and Grounds security allocation is based on a management business decision. The Print Shop lacked the data needed to substantiate published rates at the individual service line level. In response to prior findings, the Print Shop purchased a Cost Rate Advisor license to support future rate setting methodology at the individual service line level. That tool is currently being utilized to build Print Shop rates for the fiscal year 2026 - 2027 biennium.

APA Response: As noted above, security costs for the Capitol and the Governor's residence are general costs of government; therefore, despite any management business decision, such costs are not allowable.

Finding 2023-022

Program: Various, including AL 93.575, 93.596 – CCDF Cluster; AL 93.558 – Temporary Assistance for Needy Families — Reporting

Grant Number & Year: Various, including 2301NECCDF, FFY 2023; 2101NETANF, FFY 2021

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

Criteria: A good internal control plan requires: 1) adequate procedures to ensure the Schedule of Expenditures of Federal Awards (SEFA) is properly presented; and 2) the auditee to reconcile the SEFA to the financial statements to ensure the schedule is complete and accurate.

Title 45 CFR § 75.510(b) (October 1, 2022) and Title 2 CFR § 200.510(b) (January 1, 2023) state 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 . . .*
>
> *(4) Include the total amount provided to subrecipients from each Federal program.*

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

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

EnterpriseOne is the official accounting system of the State.

Title 45 CFR § 75.511(a) (October 1, 2022) and 2 CFR § 200.511 (January 1, 2023) require the auditee to prepare a summary schedule of prior audit findings. Subsection (b)(2) of both regulations provides the following, as is relevant:

> *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: Several programs did not have expenditures or the amount provided to subrecipients accurately reported on the SEFA. We notified Administrative Services of the errors, and the SEFA was subsequently adjusted.

The Summary Schedule of Prior Audit Findings lists the status as "completed."

A similar finding was noted in the prior audit.

Repeat Finding: 2022-018

Questioned Costs: None

Statistical Sample: No

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

The Department of Health and Human Services (DHHS) did not accurately report expenditures for several programs, including underreporting AL 93.575 by $3,909,201, underreporting AL 93.596 by $7,416,246, and overreporting AL 93.558 by $11,325,447. The Department of Military underreported AL 21.027 by $920,874. The Department of Labor underreported AL 17.225 by $3,696,585.

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

Original SEFA		Final SEFA	
Expenditures	Subrecipients	Expenditures	Subrecipients
$5,675,390,949	$1,020,431,651	$5,676,308,011	$1,057,506,488

Cause: Administrative Services did not have adequate procedures to ensure the accuracy of amounts not pulled directly from the accounting system. Administrative Services 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 Administrative Services improve procedures to ensure the SEFA is complete and accurate.

> **Management Response:** We will continue to work with State teammates to ensure the SEFA is accurate and complete. The original total SEFA expenditures were 99.98% accurate.

APA Response: We agree that SEFA adjustments were not significant in total. However, errors amounting to millions of dollars for individual programs are unquestionably significant to those programs. Such errors could result, moreover, in a program not being audited as a major program when it should be.

DEPARTMENT OF ECONOMIC DEVELOPMENT

Finding 2023-023

Program: AL 14.228 – Community Development Block Grants – Reporting

Grant Number & Year: B-20-DW-31-0001, grant period 6/15/2020 to 6/15/2026; B-22-DC-31-0001, grant period 7/1/2022 to 9/1/2029

Federal Grantor Agency: U.S. Department of Housing & Urban Development

Criteria: 2 CFR § 170, Appendix A I. (January 1, 2023) states, in relevant part, the following:

a. *Reporting of first-tier subawards.*

Applicability. Unless you are exempt as provided in paragraph d. of this award term, you must report each action that equals or exceeds $30,000 in Federal funds for a subaward to a non-Federal entity or Federal agency . . . .

2. *Where and when to report.*

   i. *The non-Federal entity or Federal agency must report each obligating action described in paragraph a.1. of this award term to http://www.fsrs.gov.*

   ii. *For subaward information, report no later than the end of the month following the month in which the obligation was made.*

Good internal control requires procedures to ensure all subawards subject to FFATA reporting are submitted on time.

Condition: FFATA reporting was not submitted for three of nine subawards tested.

Repeat Finding: No

Questioned Costs: None

Statistical Sample: No

Context: The Agency had 43 subawards obligated during the fiscal year ended June 30, 2023. We tested nine of the subawards, and three of those subawards were not reported in the Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System (FSRS) as of December 21, 2023. One subaward should have been reported by April 30, 2023, and two subawards should have been reported by June 30, 2023.

Transactions Tested	Subawards Not Reported	Subawards Not Report Timely	Subawards Amount Incorrect	Subawards Missing Key Elements
9	3	0	0	0
Dollar Amount of Tested Transactions	**Dollar Amount of Subawards Not Reported**	**Dollar Amount of Subawards Not Reported Timely**	**Dollar Amount of Subawards Amount Incorrect**	**Dollar Amount of Subawards Missing Key Elements**
$3,237,516	$1,122,016	$0	$0	$0

Cause: Procedures were not properly implemented to ensure that all subawards were reported as required.

Effect: Without adequate procedures, there is an increased risk that subawards will not be reported timely.

Recommendation: We recommend the Agency improve its procedures to ensure that all subawards are reported in FSRS as required.

> **Management Response:** DED acknowledges that the FFATA information for some of its subawards were not reported in FSRS in a timely manner.

DEPARTMENT OF EDUCATION

Finding 2023-024

Program: AL 10.553 – School Breakfast Program; AL 10.555 – National School Lunch Program; AL 10.556 – Special Milk Program for Children; AL 10.559 – Summer Food Service Program for Children; and AL 10.582 – Fresh Fruit and Vegetable Program – Reporting

Grant Number & Year: Various, including 233NE308N1199, FFY 2023; and 233NE377L1603, FFY 2023

Federal Grantor Agency: U.S. Department of Agriculture

Criteria: 2 CFR § 170, Appendix A I. (January 1, 2023) states, in part, the following:

a. Reporting of first-tier subawards.

Applicability. Unless you are exempt as provided in paragraph d. of this award term, you must report each action that equals or exceeds $30,000 in Federal funds for a subaward to a non-Federal entity or Federal agency . . . .

2. Where and when to report.

i. The non-Federal entity or Federal agency must report each obligating action described in paragraph a.1. of this award term to http://www.fsrs.gov.

ii. For subaward information, report no later than the end of the month following the month in which the obligation was made.

Good internal control requires procedures to ensure all required reports are submitted on time.

Condition: Federal Funding Accountability and Transparency Act (FFATA) reporting for the Child Nutrition programs has not been completed since December 2020.

Repeat Finding: No

Questioned Costs: None

Statistical Sample: No

Context: For fiscal year ended June 30, 2023, the Agency paid subrecipients from the Child Nutrition programs $148,896,593. As explained to the APA, however, the Agency has been unable to submit the required FFATA reporting since December 2020. The Agency had submitted a ticket to the U.S. General Service Administration's Federal Service Desk (FSD) and reached out to other state agencies for assistance but has been unable to resolve the issue.

Cause: The Agency has attempted to complete FFATA submissions but has been unable to do so. It is unknown why the submissions are unsuccessful.

Effect: Without adequate procedures to ensure that FFATA reports are submitted in a timely manner, there is an increased risk of the State not being in compliance with Federal regulations.

Recommendation: We recommend the Agency continue to reach out to the FSD to resolve this issue and complete FFATA reporting as soon as possible.

Management Response: The NDE disagrees with this audit finding for the following reasons: NDE Nutrition Services has made several attempts to resolve the FFATA reporting issue in the FSRS by contacting the FSRS help desk dating back to August 2021. These attempts have not produced a resolution; instead, the unresolved ticket has been closed by FSRS staff and has been requested to be re-opened by NDE Nutrition Services staff. The NDE has also made contact with the Branch Chief of the MPRO Grants Management team to request support to resolve the reporting issue. This did not help resolve the issue.

APA Response: The Agency is responsible for completing the required FFATA reporting. Regardless of the reasons for failing to do so, the fact remains that no such reporting has occurred since December 2020.

Finding 2023-025

Program: AL 10.555 – National School Lunch Program – Allowability

Grant Number & Year: 233NE308N1199, FFY 2023

Federal Grantor Agency: U.S. Department of Agriculture

Criteria: 7 CFR § 210.18(f) (January 1, 2023) states, in relevant part, the following:

During the course of an administrative review for the National School Lunch Program and the School Breakfast Program, the State agency must monitor compliance with the critical and general areas in paragraphs (g) and (h) of this section, respectively.

7 CFR § 210.18(g)(1)(ii) (January 1, 2023) provides the following, as is relevant:

The State agency must gather information and conduct an on-site visit to ensure that the processes used by the school food authority and reviewed school(s) to count, record, consolidate, and report the number of reimbursable meals/snacks served to eligible students by category (i.e., free, reduced price or paid meal) are in compliance with program requirements and yield correct claims. The State agency must determine whether:

(A) The daily meal counts, by type, for the review period are more than the product of the number of children determined by the school/school food authority to be eligible for free, reduced price, and paid meals for the review period times an attendance factor. If the meal count, for any type, appears questionable or significantly exceeds the product of the number of eligibles, for that type, times an attendance factor, documentation showing good cause must be available for review by the State agency.

* * * *

(C) For each school selected for review, all meals are correctly counted, recorded, consolidated and reported for the day they are served.

Good internal control requires procedures to ensure reviews of programs include a review of a claim to ensure the correct number of meals is claimed.

Condition: For one of 26 school food authorities (SFA) tested, the Agency's administrative review did not include a review of a claim to ensure the correct number of meals was claimed by the SFA for each category (free, reduced, paid).

Repeat Finding: No

Questioned Costs: $1,061 known

Statistical Sample: No

Context: The Agency relies on administrative reviews completed for each SFA to ensure that the SFAs are claiming the correct number of meals. For one SFA tested, the administrative review completed for school year 2022-2023 did not include a review of a claim to ensure that the correct number of meals was claimed by the SFA. After the APA's inquiry into the matter, the Agency reviewed a claim for February 2023 and noted an overpayment of $1,061. The Agency subsequently requested that the overpayment be reimbursed. The total amount of the February 2023 claim was $11,304, and this SFA claimed $107,337 for school year 2022-2023. The APA performed an overview of the other claims for this SFA during the year, noting that the month of February 2023 was an outlier and had claimed over 70 meals per day more than any other month during the school year.

Additionally, the Agency's procedure for when an error is found on a claim is to review the prior month's claim to determine if there is a systematic issue. However, documentation could not be provided to support that the prior month's claim was reviewed.

Cause: Inadequate review and monitoring procedures.

Effect: Without adequate review procedures, there is an increased risk of not only costs failing to comply with Federal regulations but also loss of Federal funds due to error or fraud.

Recommendation: We recommend the Agency implement procedures to ensure that administrative reviews performed by the Agency include a review of meals claimed, and documentation is maintained to support that such reviews were performed.

> **Management Response:** The Administrative Review that was found to not verify a claim for reimbursement was addressed by reviewing the claim submitted for the school's review month – February 2023. The review identified a claiming error of 1,248 Paid price meals. This information was completed in the 300 series on-site review forms in the CNP system.
>
> A follow-up review letter was also issued. The February 2023 edit check document was used to validate and correct the claim. Finally, NDE Central Accounting received a check from the SFA to cover the overclaimed amount.

APA Response: The Agency did not complete its review of the February 2023 claim until after it was brought to its attention by the APA, which then resulted in the Agency seeking reimbursement for the overclaimed amount.

Finding 2023-026

Program: Various, including AL 84.027 – Special Education Grants to States; AL 84.173 – COVID-19 Special Education Preschool Grants; AL 84.425D – COVID-19 Education Stabilization Fund – Elementary and Secondary School Emergency Relief Fund (ESSER I and ESSER II); AL 84.425U – COVID-19 Education Stabilization Fund – American Rescue Plan – Elementary and Secondary School Emergency Relief Fund (ARP ESSER) – Subrecipient Monitoring

Grant Number & Year: Various, including H027A210079, FFY 2022; H173X210077, FFY 2022; S425D200048, grant period ending 9/30/2022; S425D210048, grant period ending 9/30/2023; S425U210048, grant period ending 9/30/2024.

Federal Grantor Agency: U.S. Department of Education

Criteria: Per 2 CFR § 3474.1 (January 1, 2023), the U.S. Department of Education adopted the OMB Uniform Guidance in 2 CFR part 200, except for 2 CFR § 200.102(a) and 200.207(a).

Per 2 CFR § 200.403 (January 1, 2023), allowable costs must be necessary, reasonable, and adequately documented.

2 CFR § 200.332 (January 1, 2023) 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.

** * * **

(2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and written confirmation from the subrecipient, highlighting the status of actions planned or taken to address Single Audit findings related to the particular subaward.

(3) Issuing a management decision for applicable audit findings pertaining only to the Federal award provided to the subrecipient from the pass-through entity as required by § 200.521.

(4) The pass-through entity is responsible for resolving audit findings specifically related to the subaward[.]

** * * **

(f) Verify that every subrecipient is audited as required by Subpart F of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in § 200.501.

2 CFR § 200.521 (January 1, 2023) states, in relevant part, the following:

(c) Pass-through entity. As provided in § 200.332(d), the pass-through entity must be responsible for issuing a management decision for audit findings that relate to Federal awards it makes to subrecipients.

(d) Time requirements. The Federal awarding agency or pass-through entity responsible for issuing a management decision must do so within six months of acceptance of the audit report by the FAC.

Good internal control requires procedures to ensure that subrecipients are using grant funds for allowable purposes. Good internal control also requires procedures to ensure that subrecipient Single Audit reports are being reviewed, and management decision letters are being issued in a timely manner to ensure that corrective action is being implemented.

Condition: For 3 of 27 subrecipients tested that received Federal funds from the Special Education Cluster, the Agency did not perform adequate subrecipient monitoring to ensure that funds were used for allowable purposes.

For seven subrecipients tested that received Federal funds from the Education Stabilization Fund and/or Special Education Cluster, the Agency did not issue a management decision letter within the time requirement for five subrecipients and did not issue a management decision letter for two subrecipients. The Agency also failed to track and review the Single Audit report for one subrecipient.

Repeat Finding: No

Questioned Costs: Unknown

Statistical Sample: No

Context: The Agency performs various subrecipient monitoring activities during the year to ensure that subrecipients are using funds for an allowable purpose. These activities include reviewing a sample of expenditures from all reimbursement requests, tracking subrecipient audit requirements and reviewing Single Audit reports, and performing fiscal monitoring on a three-year basis. During review of reimbursement requests, the Agency does not perform procedures to ensure that salary and benefits allocated to the Special Education (SPED) grants are adequately supported by underlying documentation for a majority of its subrecipients. Rather the Agency relies on the fiscal monitoring to test that payroll is being properly allocated to grants, and the subrecipients have procedures in place to comply with Uniform Guidance Requirements.

During testing of 27 subrecipients that received SPED grants, we noted the following for three subrecipients:

- For the first subrecipient, the Agency had never completed a fiscal monitoring review. The Agency indicated that it was currently conducting fiscal monitoring of the school, but the subrecipient had been slow to provide documentation, resulting in delays.

- The second subrecipient also did not have a fiscal monitoring review. At the time of the reimbursement, moreover, the Agency did not review any underlying documentation to support the costs allocated to the grant. The Agency stated that it relied on the entity's annual audit to ensure costs were allocated properly; however, the subrecipient had not had a recent Single Audit in which the Special Education Cluster was a major program.

- The third subrecipient had a fiscal monitoring review of payroll costs, but there was no documentation to show that the Agency had reviewed other purchased services at the time of reimbursement or during the fiscal monitoring.

During review of the Agency's procedures for reviewing subrecipient Single Audits, we noted the following:

- For two subrecipients tested, their Single Audits noted significant deficiencies and material weaknesses, including one instance of questioned costs totaling $105,273; however, the Agency did not issue a management decision letter on the findings or provide documentation of any follow-up performed.

- For five subrecipients tested, the management decision letter was issued eight to nine months after the audit was made available on the Federal Audit Clearinghouse (FAC).

- One subrecipient was not being tracked by the Agency. This subrecipient had received $939,358 in Federal funds from the Agency. After the APA pointed this out, the Agency obtained a copy of the subrecipient's Single Audit report, which noted no findings.

Cause: Inadequate subrecipient monitoring procedures. The Agency stated it had other priorities during the year that delayed its review of the subrecipients' Single Audit reports.

Effect: Without adequate procedures, there is increased risk of noncompliance with Federal regulations, audit findings of subrecipients not being corrected, and an increased risk of loss or misuse of funds.

Recommendation: We recommend the Agency review its procedures for reimbursements and fiscal monitoring to ensure subrecipients are operating in compliance with Federal requirements. We also recommend the Agency improve procedures to ensure that all subrecipients are being tracked for Single Audit requirements, and management decisions are issued in response to all findings in a timely manner.

Management Response: First SPED subrecipient – The first recipient's fiscal monitoring review is part of the current annual group of recipients being monitored; set to close June 30, 2024.

Second SPED subrecipient – As part of the FY2020 federal Single Audit testing conducted by KPMG, determined the after-the-fact verification as a method to certify that the payment received on a project is reasonable in relation to the amount of work performed.

Third SPED subrecipient – Purchased services and supplies were reviewed during fiscal monitoring, but the documentation was in paper form, not electronic, and was not initially provided to the auditors when requested. It was provided on March 4, 2024, when located.

Single Audits – Due to extensive time commitment to State audit facilitation and Education Stabilization Fund Annual Performance Reporting, some management decision letters were not issued or were issued late. The NDE staff member performing the annual audit reviews was not aware of an additional subrecipient that needed reviewed.

APA Response: The Special Education Cluster was not a major program for the second subrecipient in FY2020. For the third subrecipient, we originally requested the Agency's fiscal monitoring documentation on December 21, 2023. Neb. Rev. Stat. § 84-305(2) (Cum. Supp. 2022) requires compliance with such a request to occur within "three business days after actual receipt of the request." The only exceptions to that three-day response requirement are if there is "a legal basis for refusal to comply with the request" or "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." In either instance, § 84-305(2) requires the recipient of the request to take specific action in claiming the exception. The Agency failed to do so, clearly violating § 84-305(2). In no case not involving a legal basis for noncompliance, moreover, may the required compliance "exceed three calendar weeks after actual receipt of such request by any public entity." Nevertheless, the additional documentation was not provided until over 11 weeks after being requested, which is another clear violation of § 84-305(2).

Finding 2023-027

Program: AL 84.287 – Twenty-First Century Community Learning Centers – Subrecipient Monitoring

Grant Number & Year: S287C210027, FFY 2022

Federal Grantor Agency: U.S. Department of Education

Criteria: Per 2 CFR § 3474.1 (January 1, 2023), the U.S. Department of Education adopted the OMB Uniform Guidance in 2 CFR part 200, except for 2 CFR § 200.102(a) and 200.207(a).

2 CFR § 200.332 (January 1, 2023) 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.*

2 CFR § 200.508 (January 1, 2023) states, in relevant part, the following:

The auditee must:

* * * *

> *(d) Provide the auditor with access to personnel, accounts, books, records, supporting documentation, and other information as needed for the auditor to perform the audit required by this part.*

Neb. Rev. Stat. § 84-305(2) (Cum. Supp. 2022) states, in relevant part, 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.*

(Emphasis added.)

A proper system of internal control includes procedures to ensure the Department's fiscal monitoring polices are followed. Good internal control also requires procedures to ensure audit information is provided promptly in accordance with State and Federal requirements.

Condition: The Agency failed to perform fiscal monitoring of one subrecipient tested for the Twenty-First Century Community Learning Centers grant. Contrary to § 84-305(2), moreover, the Agency failed to respond promptly to requests for information.

Repeat Finding: No

Questioned Costs: None

Statistical Sample: No

Context: The Agency performed a review of a reimbursement request for $183,825, where staff compared the amount claimed to the school-provided accounting records and payroll reports with employee names. The Agency's policy then requires further fiscal monitoring on at least a three-year rotational basis for all school districts. As part of this process, a more detailed review of time and effort documentation is supposed to be completed.

According to Agency staff, fiscal monitoring was scheduled for October 2022; however, school district staff stated that the timing would not work for them. The Agency began its review in December 2022, but the process had yet to be completed – more than a year later – due to a lack of responsiveness from the school district. Fiscal monitoring of the school district was last performed in fiscal year 2020.

Additionally, the APA asked the Agency on January 11, 2024, for documentation to support the payroll expenses on the reimbursement request. On January 12, 2024, the Agency presented the APA with the documentation from the school district; however, this was the same documentation provided previously to the Agency at the time of reimbursement. This documentation was insufficient to support the payroll expenses questioned. On March 1, 2024, seven weeks after the APA's request, the Agency produced the additional information to support the payroll expenses.

Cause: Inadequate subrecipient monitoring procedures.

Effect: Without adequate monitoring procedures, there is an increased risk for the payment of unallowable Federal expenses.

Recommendation: We recommend the Agency strengthen its procedures for ensuring that fiscal monitoring is completed in accordance with the Agency's policies. We further recommend the Agency implement procedures to ensure compliance with both 2 CFR § 200.508 and § 84-305(2).

Management Response: The Grants Compliance Section is the Agency's internal control function performing the requirements within 2 CFR 200.332, applying risk assessment to determine the annual fiscal monitoring base cadence and sequential sampling; non-probability sampling ensuring all recipients are subject to fiscal monitoring efforts in a three-year cycle at a minimum. As education subrecipients have received a significant influx of subawards to mitigate post-COVID supports for Nebraska education with limited staff capacity, the Department has remained mindful of these conditions and completed fiscal monitoring activities and issued an exit letter on September 5, 2023.

APA Response: This finding was included as Comment 4 in the Annual Comprehensive Financial Report (ACFR) management letter dated December 13, 2023. The Agency responded, in part, "Fiscal monitoring of Lexington Public Schools was being performed in 2023 but was not completed as of the time of the ACFR audit." When the Single Audit team requested the payroll documentation, the Agency did not inform the APA that monitoring was completed until March 5, 2024, which is well past the time requirements set out in § 84-305(2). Regardless, the fiscal monitoring was not completed within three years.

Finding 2023-028

Program: AL 84.425U – COVID-19 Education Stabilization Fund – American Rescue Plan – Elementary and Secondary School Emergency Relief Fund (ARP ESSER) – Reporting

Grant Number & Year: S425U210048, grant period ending 9/30/2024

Federal Grantor Agency: U.S. Department of Education

Criteria: 2 CFR § 170, Appendix A I. (January 1, 2023) states, in part, the following:

a. Reporting of first-tier subawards.

Applicability. Unless you are exempt as provided in paragraph d. of this award term, you must report each action that equals or exceeds $30,000 in Federal funds for a subaward to a non-Federal entity or Federal agency . . . .

2. Where and when to report.

i. The non-Federal entity or Federal agency must report each obligating action described in paragraph a.1. of this award term to http://www.fsrs.gov.

ii. For subaward information, report no later than the end of the month following the month in which the obligation was made.

Good internal control requires procedures to ensure all subawards subject to Federal Funding Accountability and Transparency Act (FFATA) reporting are submitted on time.

Condition: FFATA reporting was not submitted for 2 of 11 subawards tested. Additionally, two other subawards were not submitted timely.

Repeat Finding: No

Questioned Costs: None

Statistical Sample: No

Context: The Agency had 104 subawards obligated during the fiscal year ended June 30, 2023. We tested 11 of the subawards. Two of those subawards were not reported in FFATA Subaward Reporting System (FSRS) as of February 7, 2024. The subawards should have been reported by September 30, 2022, and April 30, 2023.

Additionally, the Agency did not submit two other subawards tested timely. The subawards were both reported 122 days late.

Transactions Tested	Subawards not Reported	Subawards not Reported Timely	Subawards Amount Incorrect	Subawards Missing Key Elements
11	2	2	0	0
Dollar Amount of Tested Transactions	**Subawards not Reported**	**Subawards not Reported Timely**	**Subawards Amount Incorrect**	**Subawards Missing Key Elements**
$1,259,750	$219,000	$81,000	$0	$0

Cause: Inadequate review and reporting procedures.

Effect: Without adequate procedures, there is an increased risk of noncompliance with Federal regulations.

Recommendation: We recommend the Agency review its procedures for FFATA reporting to ensure compliance with Federal Requirements.

> **Management Response:** For the two subawards not reported, the NDE staff completing the FFATA reporting was not aware these subawards were issued. Regarding untimely reporting, the NDE staff was trying a new method to streamline reporting, but it was determined some amendments were missed. These subawards were reported at the time the error was found, which was a few months late.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding 2023-029

Program: AL 93.558 – Temporary Assistance for Needy Families; AL 93.563 – Child Support Enforcement; AL 93.568 – Low Income Home Energy Assistance (LIHEAP); AL 93.575 – Child Care and Development Block Grant; AL 93.658 – Foster Care Title IV-E; AL 93.778 – Medical Assistance Program; AL 10.561 – State Administrative Matching Grants for the Supplemental Nutrition Assistance Program – Allowable Costs/Cost Principles

Grant Number & Year: 2001NETANF, FFY 2020; 2301NECSES, FFY 2023; 2301NELIEA, FFY 2023; 2301NECCDD, FFY 2023; 2301NEFOST, FFY 2023; 2305NE5ADM, FFY 2023; 233NE406S2514, FFY 2023

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

Criteria: 45 CFR § 75.405(a) (October 1, 2022) and 2 CFR § 200.405 (January 1, 2023) state, in part, the following:

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

45 CFR § 75.403 (October 1, 2022) and 2 CFR § 200.403 (January 1, 2023) provide the following, in relevant 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. See also §§ 75.300 through 75.309.

Per 45 CFR § 75.303 (October 1, 2022) and 2 CFR § 200.303 (January 1, 2023),

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

Title 45 CFR § 75.302 (October 1, 2022) and 2 CFR § 200.302 (January 1, 2023) require financial management systems of the State sufficient to permit preparation of required reports and permit the tracing of funds to expenditures adequate to establish the use of these funds were in accordance with applicable regulations.

EnterpriseOne is the official accounting system for the State of Nebraska, and all expenditures are generated from it.

Good internal control requires procedures to ensure that amounts charged to Federal funds are proper.

Condition: Procedures to ensure journal entries and adjustments to the Public Assistance Cost Allocation Plan (PACAP) were not adequate, resulting in multiple Federal programs being overcharged.

Repeat Finding: No

Questioned Costs: $581,496 known

AL	Grant #	Questioned Costs (Federal Share)
93.558	2001NETANF	$ 7,357
93.563	2301NECSES	$ 263,628
93.568	2301NELIEA	$ 33,447
93.575	2301NECCDD	$ 10,412
93.658	2301NEFOST	$ 72,190
93.778	2305NE5ADM	$ 149,478
10.561	233NE406S2514	$ 44,984

Statistical Sample: No

Context: Each quarter, as the PACAP is prepared, the Agency makes multiple adjustments for costs that either were charged to Federal funds and should not have been, or costs that were not charged to Federal funds but are claimable to a Federal grant. We tested five adjustments between two quarters. One adjustment tested for the quarter ended December 31, 2022, was recorded to charge the Foster Care grant for allowable costs incurred by the Foster Care Review Office (FCRO), a separate agency. The amounts provided by FCRO erroneously included payroll charges from a previous quarter, inflating the amount charged. The FCRO later caught the mistake and adjusted the internal spreadsheet but did not alert the Agency to the error, so a correcting adjustment was never made to the PACAP. The amount charged was $353,984; however, the adjustment should have been $212,725, a difference of $141,259. Foster Care is matched at 50%, so the grant was overcharged $70,629, which are questioned costs. Due to this error, we reviewed a second Foster Care adjustment for the quarter ending March 31, 2023, and noted the Agency's calculation included amounts for a State funded program that should have been removed, resulting in the grant being overcharged an additional $1,561.

We also tested six journal entries that moved costs between cost centers to determine any impact on the PACAP and if those journal entries were appropriate. We noted three improper journal entries that the Agency had not corrected as of the end of the fiscal year:

- A journal entry for $526,487 was performed in November 2022 to temporarily move postage costs of multiple programs from State funds to the Child Support Enforcement (CSE) grant until new coding could be created in the State's accounting system to track expenses from one fiscal year to another. The intent was to reverse the entry as soon as the new coding was completed; however, the reversing entry was never performed. Since the Agency performs a quarterly adjustment for the CSE grant to charge indirect costs identified by the Agency's PACAP to the grant, the CSE grant was overcharged a total of $263,628. No correcting entry had been made as of September 30, 2023. These are considered questioned costs.

- A journal entry for $207,369 was performed in December 2022 to move expenses to allow payroll to post. The intent was to reverse the entry before the end of the fiscal year; however, that was not done. The expenses were moved from Medicaid administration and were charged to the Central Services and Supplies Cost Center, which is then allocated to numerous other Cost Centers that are further allocated or charged directly to Federal programs such as TANF and Child Care. Due to the intricacies of PACAP allocations, exact questioned costs are unknown. No correcting entry was made as of September 30, 2023.

- A journal entry for $5,317,640 was done in February 2023 to move Premium Pay to the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) grant as additional pay for certain job roles allowed under that grant. However, the entry performed included some lines that were miscoded, most significantly a line for $764,187 that was supposed to move money within the same Cost Center (CC 25C21910 – Field Office Administration); however, it pulled costs out of Cost Center 25C21780 - Protection and Safety Policy Chief instead. Additionally, we confirmed with the Agency that the costs charged to CC 25C21910 under the CSLFRF grant were also allocated to other Federal programs through the PACAP, essentially charging Federal programs twice. Due to the intricacies of the PACAP allocations, total questioned costs are unknown; however, we were able to determine that this error caused Medicaid to be overcharged $149,478, LIHEAP to be overcharged $33,447, SNAP to be overcharged $44,984, Child Care to be overcharged $10,412, and TANF to be overcharged $7,357.

Cause: Inadequate procedures to ensure that adjustments to the PACAP are proper and that journal entries are appropriate for each program.

Effect: Unallowable expenditures were charged to Federal funds and there is an increased risk for errors, fraud, and non-compliance with Federal regulations.

Recommendation: We recommend the Agency strengthen procedures to ensure adjusting entries are complete and accurate. We further recommend the Agency strengthen procedures to ensure compliance with Federal regulations.

Management Response: The Agency agrees.

<u>Finding 2023-030</u>

Program: Various, including AL 93.778 – Medical Assistance Program – Allowable Costs/Cost Principles

Grant Number & Year: Various, including 2305NE5ADM, FFY 2023

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

Criteria: 45 CFR § 75.303 (October 1, 2022) states, in relevant part, the following:

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

45 CFR § 75.403 (October 1, 2022) requires costs to be necessary, reasonable, and adequately documented.

45 CFR § 75.302 (October 1, 2022) requires financial management systems of the State be sufficient to permit both preparation of required reports and tracing of funds to expenditures adequate to establish that the use of those funds was in accordance with applicable regulations.

45 CFR § 75.405(a) (October 1, 2022) states, in part, the following:

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

Good internal control requires procedures to ensure that amounts charged to Federal programs are proper.

Condition: The Agency did not properly charge Federal programs for twelve allocations tested. A similar finding was noted in the prior audit.

Repeat Finding: 2022-023

Questioned Costs: $498,214 known

Statistical Sample: No

Context: We tested 23 PACAP allocations. We noted errors for 12 of 23 allocations tested, resulting in various programs undercharged or overcharged. The net effect of errors noted resulted in $498,214 overcharged for the Medicaid program, which are considered questioned costs, with undercharges to other various Federal programs ranging from $7,505 to $125,868. We noted the following:

Time and Effort Report Allocations

- We tested the allocation of cost center 25C21940 Field Office Resource Development for quarter ended December 31, 2022, which allocated $1,516,328 of administration costs, based on Time & Effort reports. The payroll costs for 92 employees were charged to the cost center; however, four of the employees' payroll costs should not have been charged to the cost center. The four employees tested included a Child and Family Services Specialist Supervisor, a Program Accuracy Specialist, and two Program Specialists. All these employees were, at one time, Resource Developers; however, when their roles changed, their pay source was not updated. As a result of these employees being charged to the Resource Development cost center instead of their appropriate cost centers, numerous programs were not charged correctly, ranging from undercharges of $837 to overcharges of $1,808. Medicaid was overcharged $538. Additionally, we were unable to determine how the payroll costs of $17,095 to one of the Program Specialists should have been allocated.

RMTS Allocations

- We tested the allocation of cost center 25C21960 Field Office Social Services Casework for quarter ended December 31, 2022, which allocated $7,682,207 of administration costs, based on Random Moment Time Study (RMTS) results. There were several errors found in the sorting process of the RMTS results to Federal programs, resulting in several programs undercharged or overcharged. Medicaid was overcharged $2,644.

- We tested the allocation of cost center 25C21920 Field Office Child Protection & Safety Services for the quarter ended March 31, 2023, which allocated $14,187,156 in administration costs based on RMTS results. Below are the issues noted:

  - RMTS observations for Trial Home Visits were not included in the allocation. As a result, State programs were undercharged, and Federal programs were overcharged.

  - The RMTS observations for Child Protection Initial Assessment were not properly allocated. As a result, Foster Care was overcharged, and Adoption Assistance and Guardianship Assistance were undercharged.

  - The RMTS Observation coded as "Non-Court/Child Protection Initial Assessment/Alternative Response (AR)" was misallocated to both State and Federal programs, causing Guardianship Assistance to be overcharged and Adoption Assistance and Foster Care to be undercharged.

Labor Hours Statistics

- We tested six allocations based on labor hours statistics. All six allocations were calculated incorrectly. Labor hours statistics are gathered by using an Agency-wide report of all employee time, and then filtering that report for specific pay type codes (e.g., regular pay, holiday pay, sick pay, etc.) and specific programs and divisions within the Agency. Below is a summary of allocations tested:

Cost Center	Quarter Ending	Amount Allocated
25C21910 (FO [Field Office] Administration	December 31, 2022	$ 2,393,148
25C21910 (FO [Field Office] Administration	March 31, 2023	$ 2,344,275
25C20960 (IST Technical Services)	September 30, 2022	$ 2,509,145
25C20960 (IST Technical Services)	December 31, 2022	$ 2,690,417
25C20960 (IST Technical Services)	March 31, 2023	$ (3,203,963)
25C20975 (IST Application SVCS Administrative Services)	March 31, 2023	$ 5,000,000

We noted the following during testing:

  - Cost center 25C21910 is allocated based on a formatted Labor Hours report, which should only include field offices.

    - For the quarter ended December 31, 2022, the Agency did not remove irrelevant pay type codes (such as overtime, shift differentials, and termination payouts), and included labor hours for two programs that were not related to field office employees.

    - For the quarter ended March 31, 2023, the Agency was unable to provide the Labor Hours report it used to calculate the allocation percentages.

    We recalculated both quarters using the report formatting instructions provided by the Agency and found that the Agency's errors caused numerous programs to be undercharged by as much as $17,670, while overcharging the Medicaid grant by $301,485.

  - Cost centers 25C20960 and 25C20975 are allocated based on all Agency hours worked (i.e., does not include paid leave) and excludes two thirds of the labor hours from 24-hour facilities. The Agency did not properly format any of the quarterly Labor Hours reports by removing irrelevant pay type codes (such as Shift Differentials and Sick and Vacation leave paid) and dividing the hours in the 24-hours facilities by three. These repeated errors skewed the data used for the allocations in all three quarters tested. We were able to identify undercharges to Medicaid of $117,611; however, due to the intricacies of these PACAP allocations, we were unable to determine total questioned costs. The largest variances are listed below:

Cost Center Description	Over/ (Under) charged		
For Quarter Ending:	*9/30/2022*	*12/31/2022*	*3/31/2023*
Lincoln Regional Center	$ 313,925	$ 339,097	$ 230,137
Beatrice State Development Center	$ 153,340	$ 167,036	$ 106,093
Norfolk Regional Center	$ 104,832	$ 111,976	$ 75,463
Eligibility Field Operations	$ (82,731)	$ (88,238)	$ (61,115)
Social Services Casework	$ (100,759)	$ (105,573)	$ (70,980)
Child Protection & Safety Services	$ (107,778)	$ (116,116)	$ (99,657)

Recipient Counts

- We tested the allocation of cost center 25C20990 IST Application NFOCUS Applications for the quarter ended March 31, 2023, which allocated $6,672,560 in administration costs, based on recipient counts per NFOCUS/MMIS reports. NFOCUS and MMIS are databases used to manage various programs such as SNAP, Child Care, TANF, and Medicaid. We noted that the recipient counts used in the allocation did not agree to support. The Miscellaneous State programs did not include 1,653 recipients, resulting in the State being undercharged and all other programs being overcharged, such as Medicaid for $5,939.

  Additionally, we were unable to trace the recipient counts to documentation that supported allocating $3,857,377 to Medicaid and $486,931 to CHIP. The Agency did not maintain the recipient count reports used at the time of the allocation. The Agency was able to generate a historical report; however, while the report amounts were similar, they did not agree with the counts used in the allocation. The Agency did maintain system summary reports at the time of the allocation, and the total counts on the summary reports did agree to amounts used for the allocation. However, as the summary reports used did not maintain the detail of members counted, we could not verify the accuracy of the reports used.

- We tested the allocation of cost center 25C23006 Expansion Call Center for quarter ended March 31, 2023, which allocated $2,934,314 in administration costs, based on recipient counts per NFOCUS/MMIS reports. It was determined that the same allocation numbers had been used since at least the quarter ended December 31, 2020, and were not being updated each quarter to account for actual benefiting programs. The Agency agreed that the allocation should have been updated each quarter, and it will start doing so as of the June 30, 2023, quarter end. We recalculated what the allocation should have been for each benefiting program and noted variances to numerous programs including overcharges to Medicaid of $305,219.

Other

- We tested the allocation of cost center 25C23823 iServe IAPD H971 – Shared for quarter ended December 31, 2022, which allocated $3,457,879 in project costs based on the project's cost allocation plan. The Agency is developing the new iServe Nebraska Portal, which is an application for Nebraskans to apply for benefits from Federal and State programs. This application will be replacing ACCESSNebraska, the current application used by Nebraskans to apply for benefits. For the implementation phase of the project, the Agency was only allocating costs to the following four programs: LIHEAP, TANF, SNAP, and Medicaid. However, there are other Federal and State programs that will utilize the iServe application. We reviewed documentation obtained in the prior year, including correspondence from the Agency's Federal contacts, which stated, "As long as SNAP, Medicaid, LIHEAP, and TANF are the only benefiting programs for the State's iServe Nebraska Portal project, the State may just include these four programs in the development of its cost allocation plan. If/when the State decides to add other Federal programs that will benefit from enhancements to the portal, it will need to revisit and adjust its cost allocation plan." We asked again this year for documentation to support that only the four programs being charged were benefiting from this stage of the project, such as internal planning documents. The Agency was still unable to provide adequate documentation to support our request. We were unable to calculate questioned costs as we were not able to determine which Federal and State programs should receive an allocation, and the basis for how the costs would be allocated to these programs. See table below for how the costs were allocated.

Cost Center	Cost Center Description	Federal	State
25C43040	Low Income Home Energy Assistance Program	$ 34,579	$ -
23C43180	TANF Families	$ 34,579	$ -
25C43220	SNAP (50%)	$ 847,180	$ 847,180
25C44120	Medicaid (90%)	$ 1,524,924	$ 169,436
Total		**$ 2,441,262**	**$ 1,016,616**

Cause: Inadequate procedures to ensure that system reports were set up and formatted correctly, employees coded their time correctly, and that allocations were adequately supported and calculated correctly.

Effect: Without adequate documentation to support the allocation of costs, there is increased risk of programs not being charged the proper amounts.

Recommendation: We recommend the Agency improve procedures to ensure that employee pay is recorded correctly in E1, that system reports are set up correctly and formatting instructions are followed, and that costs are properly allocated and charged, based on supporting documentation.

> **Management Response:** The Agency partially agrees. The Agency provided the federally approved Cost Allocation Management (CAM) Toolkit that was used to develop and explain all aspects of the iServe methodology. Premise for this finding is based upon locking DHHS into conversations had with the Federal Government in very early-on planning stages of the APD, prior to APD submission and approval. All communication between DHHS and the Federal Government regarding iServe has been clear and concise, and the Federal Government has agreed with DHHS's approach, as is evidenced in the communication that has been provided as well as the APD methodology approval that has been received.

APA Response: As noted above, correspondence from the Agency's Federal contacts stated, "As long as SNAP, Medicaid, LIHEAP, and TANF are the only benefiting programs for the State's iServe Nebraska Portal project, the State may just include these four programs in the development of its cost allocation plan. If/when the State decides to add other Federal programs that will benefit from enhancements to the portal, it will need to revisit and adjust its cost allocation plan." We asked again this year for documentation to support that only the four programs being charged were benefiting from this stage of the project, such as internal planning documents. The Agency was still unable to provide adequate documentation to support our request.

<u>Finding 2023-031</u>

Program: AL 93.268 - Immunization Cooperative Agreements; AL 93.323 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC); AL 93.558 - Temporary Assistance for Needy Families (TANF); AL 93.563 - Child Support Enforcement; AL 93.778 - Medical Assistance Program – Allowable Cost/Cost Principles

Grant Number & Year: 19NH23IP922589, FFY 2022; 19NU50CK000547; FFY 2023; 2001NETANF, FFY 2020; 2201NECSES, FFY 2022; 2301NECSES, FFY 2023; 2305NE5ADM, FFY 2023

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

Criteria: 45 CFR § 75.405(a) (October 1, 2022) states, in part, the following:

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

45 CFR § 75.403 (October 1, 2022) provides the following, in relevant 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. See also §§ 75.300 through 75.309.

Per 45 CFR § 75.303 (October 1, 2022):

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 § 75.430(i) (October 1, 2022) requires payroll expenses charged to Federal awards be based on official records that accurately reflect the work performed.

Good internal control and sound accounting practices require policies and procedures to ensure that all payroll costs are properly recorded within the State Accounting System and allocated to the proper funding source for activities performed.

Condition: The Agency did not have adequate procedures to ensure payroll charges were proper.

Repeat Finding: No

Questioned Costs: $91,150 known

AL	Grant #	Questioned Costs (Federal Share)
93.268	19NH23IP922589	$ 643
93.323	19NU50CK000547	$ 1,929
93.558	2001NETANF	$ 99
93.563	2301NECSES	$ 71,290
93.563	2201NECSES	$ 16,992
93.778	2305NE5ADM	$ 197

Statistical Sample: No

Context: We selected 31 employee paychecks paid with Federal funds. Twelve of the 31 tested had payroll charged to Child Support Enforcement. One employee tested was a Child Support Enforcement Worker through September 25, 2022, and changed positions to a Youth Security Specialist II on September 26, 2022. The employee’s payroll costs were not updated to be charged to cost center 25C40360 Youth Rehabilitation and Treatment Centers, which only records costs to the General fund. Instead, the employee’s payroll costs continued to be charged to cost center 25C21750 Child Support Operations. As a result, for the pay period tested, Child Support Enforcement was overcharged by $2,206. During the fiscal year, this employee had an additional $25,726 incorrectly charged to Child Support Enforcement.

A Program Accuracy Specialist was recorded to the 25C43060 Child Support Enforcement cost center; however, the supervisor the employee worked with was not charged to this cost center. According to the supervisor, no employees under their management were assigned to read child support enforcement cases. As a result, for the pay period tested, Child Support Enforcement was overcharged by $1,704. During the fiscal year, this employee had an additional $27,976 incorrectly charged to Child Support Enforcement. We noted another Program Accuracy Specialist with this same supervisor also recorded to Child Support Enforcement. During the fiscal year, this employee had $30,670 incorrectly charged to Child Support Enforcement.

We tested $20,143 Federal payroll charges to Child Support Enforcement and noted $3,910 in sampled questioned costs and $84,372 additional questioned costs. Federal payroll charges for Child Support Enforcement totaled $3,920,653.

Six of the 31 employees tested had payroll charged to TANF. One employee was a Contract Procurement Manager whose payroll expense was split between State funds, TANF and Medicaid. The payroll costs were to be allocated based on a time study; however, the Agency had not completed a revised time study. Therefore, we were unable to ensure the grants were correctly charged. The Agency indicated no time study was done for the entirety of fiscal year 2023. We tested $9,557 Federal payroll charges to TANF and noted $99 in questioned costs. We tested $3,482 in Medicaid payroll charges and noted $197 in questioned costs.

We tested the April 19, 2023, paycheck for an Epidemiology Surveillance Coordinator. Payroll expenses were allocated with 75% to the ELC grant and 25% to the Immunization grant. The Agency did not provide documentation to support how this split was determined. An email was provided on July 28, 2023, with a breakdown of the activities and hours the employee worked for each grant; however, the number of hours in the email did not agree to the hours worked per the paycheck. Additionally, to charge payroll expenses to a Federal grant, a timesheet or other official record that accurately reflects the work performed is required. We tested $3,692 Federal payroll charges to ELC and noted $1,929 in questioned costs. We tested $3,659 in Federal payroll charges to Immunization and noted $643 in questioned costs.

Cause: Inadequate policies and procedures for review and documentation of payroll expenses. Additionally, the Agency did not change the cost center for one employee who changed positions.

Effect: Without adequate documentation to support the allocation of costs, there is an increased risk of programs not being charged the proper amounts.

Recommendation: We recommend the Agency improve procedures to ensure that employee pay is recorded correctly in the State Accounting System, and those costs are properly allocated and charged.

Management Response: The Agency agrees.

<u>Finding 2023-032</u>

Program: AL 93.658 - Foster Care Title IV-E; AL 10.561 - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program; AL 93.659 - Adoption Assistance – Allowable Costs/Cost Principles

Grant Number & Year: 2301NEFOST, FFY 2023; 202323S251443, FFY 2023; 2301NEADPT, FFY 2023

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

Criteria: 45 CFR § 75.405(a) (October 1, 2022) and 2 CFR § 200.405 (January 1, 2023) state, in part, the following:

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

45 CFR § 75.403 (October 1, 2022) and 2 CFR § 200.403 (January 1, 2023) provide the following, in relevant 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. See also §§ 75.300 through 75.309.*

Per 45 CFR § 75.303 (October 1, 2022) and 2 CFR § 200.303 (January 1, 2023),

> *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 the CAP's RMTS Time Study Design/Coding Structure:

> *[P]articipants are asked whether they are working on an activity that is client related. If they select "Yes" to this question, they are asked to identify the Case ID and type of case . . . .*

Per the CAP's RMTS Survey Validation:

> *The contractor and the NE DHHS staff review subsample responses to ensure the activity selected matches the description provided. If the activity and description do not match, the participant is notified and the moment is considered invalid.*

Per the CAP's RMTS Response Time/Non-Responses:

> *Participants have two (2) calendar days to respond to each moment. The two (2) day response time allows workers who may spend time outside of their office location and away from email the opportunity to respond to the moment before it expires. The two (2) day period is inclusive of calendar hours and not business days . . . .*

Good internal control and sound accounting practices require procedures to ensure that staff know how to complete accurate random moment time studies, which are used to allocate costs to Federal programs.

Condition: The Agency did not have adequate procedures to ensure payroll charges were proper.

Repeat Finding: 2022-024

Questioned Costs: $55,666 known

AL	Grant	Questioned Costs (Federal Share)
93.658	2301NEFOST	$ 45,060
10.561	202323S251443	$ 6,055
93.659	2301NEADPT	$ 4,551

Statistical Sample: No

Context: The Random Moment Time Study (RMTS) is conducted on an ongoing basis to provide data for the allocations of direct and indirect costs to various programs. The objective is to identify employee efforts directly related to programs administered by the Agency. We tested 55 RMTS surveys and noted 18 errors resulting in questioned costs as follows:

- For 10 of 15 surveys tested, the workers erroneously reported they were working on a Foster Care IV-E (Federally funded) case when the survey should have been reported as Foster Care Non IV-E; therefore, Foster Care was overcharged.
    - For two surveys, the cases had previously been IV-E Foster Care cases but were changed to Non IV-E cases the month prior to the surveys submitted by the Child and Family Services Specialists.
    - For one survey, the worker completed the survey three calendar days after the RMTS was generated and the activity described on the survey form was for the date submitted, not when the RMTS was generated.
- For 7 of 19 Supplemental Nutrition Assistance Program (SNAP) surveys tested, the RMTS survey form appeared to have been completed incorrectly.
    - For two surveys, the workers selected SNAP; however, per the case files, the case worker appeared to be working on Low Income Home Energy Assistance (LIHEAP) and not on SNAP.
    - For one survey, the worker stated on the survey form they were working on a case activity for SNAP; however, no case file name or identification case number was given to identify what case was being worked.
    - For three surveys, the workers selected the SNAP program; however, we could not confirm from the documentation on file what the worker was working on, and the questioned costs are unknown.
    - For one survey, the case worker selected the SNAP program; however, per the case files, the case worker appeared to be working on other programs along with SNAP at the time of the survey.
- For one of seven Adoption IV-E surveys tested, the worker erroneously reported that they were working on an Adoption IV-E case when the survey should have been reported as Foster Care IV-E; therefore, Adoption IV-E was overcharged.

Total known Federal payment errors, amount tested, error rate (amount of errors/amount tested), total dollars charged via RMTS, and potential dollars at risk (dollar rate multiplied by the population total dollars charged) are summarized below by program:

Program	Federal Payment Errors Noted in Sample	Federal Sample Tested	Dollar Error Rate	Total Federal Funds Charged via RMTS in FY23	Potential Dollars at Risk
Foster Care	$ 45,060	$ 67,363	66.89%	$ 14,238,860	$ 9,524,373
SNAP	$ 6,055	$ 30,804	19.66%	$ 10,690,994	$ 2,101,849
Adoption	$ 4,551	$ 31,632	14.39%	$ 892,574	$ 128,441
TOTAL	**$ 55,666**	**$ 129,799**		**$ 25,822,428**	**$ 11,754,663**

Cause: The Agency's training of staff and supervisor reviews of RMTS surveys were not sufficient to ensure the surveys were accurately completed.

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

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

Management Response: The Agency agrees.

<u>Finding 2023-033</u>

Program: AL 93.069 – Public Health Emergency Preparedness (PHEP); AL 93.889 – National Bioterrorism Hospital Preparedness Program (HPP) – Allowability & Subrecipient Monitoring

Grant Number & Year: NU90TP922039, Project Period through June 30, 2024; U3REP190555, Project Period through June 30, 2024

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

Criteria: 45 CFR § 75.352(d) (October 1, 2022) requires a pass-through entity 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; and that subaward performance goals are achieved."

45 CFR § 75.302(a) (October 1, 2022) 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."

45 CFR § 75.403 (October 1, 2022) requires costs to be reasonable, necessary, and adequately documented. A good internal control plan requires procedures to ensure subrecipients comply with applicable cost principles.

45 CFR § 75.405(a) (October 1, 2022) states, in part, the following:

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

(1) Is incurred specifically for the Federal award;

(2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and

(3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart.

45 CFR § 75.430(i)(1) (October 1, 2022) states, in 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:

(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 . . . .

45 CFR § 75.431(b) (October 1, 2022) states the following:

The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, family-related leave, sick leave, holidays, court leave, military leave, administrative leave, and other similar benefits, are allowable if all of the following criteria are met:

* * * *

(3) The accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the non-Federal entity or specified grouping of employees.

* * * *

(ii) The accrual basis may be only used for those types of leave for which a liability as defined by GAAP exists when the leave is earned. When a non-Federal entity uses the accrual basis of accounting, allowable leave costs are the lesser of the amount accrued or funded.

45 CFR § 75.431(c) (October 1, 2022) states the following:

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, and charged as direct or indirect costs in accordance with the non-Federal entity's accounting practices.

A good internal control plan requires procedures to ensure salaries and wages charged to subawards are properly documented, and payments made to subrecipients apply to work performed under the subaward project description.

45 CFR § 75.406(a) (October 1, 2022) says the following:

Applicable credits refer to those receipts or reduction-of-expenditure-type transactions that offset or reduce expense items allocable to the Federal award as direct or indirect (F&A) costs. Examples of such transactions are: Purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the non-Federal entity relate to allowable costs, they must be credited to the Federal award either as a cost reduction or cash refund, as appropriate.

Condition: Subrecipient monitoring procedures were inadequate.

A similar finding has been noted in prior audits since 2014.

Repeat Finding: 2022-025

Questioned Costs: $13,025 known (NU90TP922039)

Statistical Sample: No

Context: The Agency made 161 aid payments, totaling $5,353,085, during fiscal year ended June 30, 2023. This included payments to 34 subrecipients. Subrecipient reimbursement requests included an invoice and budget workbook showing expenses by category; however, no source documentation, such as invoices and timesheets, were submitted. The Agency has subrecipient monitoring procedures that include financial monitoring, such as desk reviews; however, desk reviews were performed for only 12 of 34 subrecipients during the fiscal year. The Agency did not perform any desk reviews for the HPP program.

We selected a sample of 16 payments, totaling $360,772, which included eight subrecipients with desk reviews. When a desk review was not completed or not adequate, we offered the Agency the opportunity to gather supporting documentation from subrecipients.

Documentation submitted was inadequate for 5 of 16 payments tested. All five of these subrecipients had Agency desk reviews. We initially allowed the Agency four weeks to provide support. After we reviewed that support, we allowed the Agency an additional two weeks to provide further support. We noted the following after considering all support provided:

- Two payments did not have adequate documentation to support that fringe benefits charged to the grant were allowable and in accordance with Federal cost principles. In one case, the subrecipient was charging accrued leave to the subaward, while its financial statements were being prepared on a cash basis. In the other case, the personnel costs were calculated based on projected or budgeted hours devoted to the subaward, rather than actual hours worked.

- Six payments did not have adequate documentation to support non-payroll charges.

    - Allocated costs for facilities, phones, and other charges did not have adequate support for the amount charged to the grant. For example, the full cost of two phone lines was charged for two employees; however, neither employee worked 100% on the program. Also, multiple subrecipients allocated costs based on estimated hours worked on the program, rather than the actual time worked.

    - One subrecipient was using reward points earned from purchasing supplies for seemingly personal benefit. The reward points could be used for discounts on future purchases or for free office supplies that would further benefit the program; instead, we noted invoices showing that reward points were used for such items as Millennium Falcon blankets, a luxury robe and spa set, deluxe slippers, a traveler's toiletry set, and a travel cooler set.

    - One subrecipient was reimbursed for sales tax; however, the entity was tax exempt.

Subrecipient aid payments for the fiscal year ended June 30, 2023, totaled $5,353,085. Federal payment errors noted were $13,025. The total sample tested was $360,772. The dollar error rate for the sample was 3.61%. This estimates the potential dollars at risk for the fiscal year to be $193,246 (dollar error rate multiplied by the population).

Cause: Inadequate procedures and staff turnover.

Effect: Without adequate subrecipient monitoring procedures, there is an increased risk for the misuse of Federal funds and noncompliance with Federal regulations.

Recommendation: We recommend the Agency perform adequate subrecipient monitoring to ensure costs are allowable and Federal regulations are adhered to.

Management Response: The Agency partially agrees. The agency agrees with a portion of questioned costs. Notably, sales tax paid by an exempt entity.

The agency partially disagrees with allocated costs not being supported by documentation. In one instance, it appears allocated costs were undercharged to the award rather than overcharged.

The agency disagrees with APA's contention that the phone lines noted in the finding were not allocated appropriately. As provided by the subrecipient, but for the preparedness funds, these staff would not have these lines and both staff are listed as part of the local health department's emergency response plan.

APA notes a use of reward points being used for seemingly personal benefit. The agency disagrees. The subrecipient used the rewards points to purchase items for an employee recognition event. The use of these points appears consistent with the subrecipient's policy regarding compliance with the Nebraska Local Government Miscellaneous Expenditure Act.

APA Response: Documentation provided to the auditors was inadequate to support the allocation of costs charged. The Agency could not support that the two phone lines were used exclusively for the program; moreover, the employees did not work 100% on the program. As noted, Federal cost principles require costs to be charged based on the relative benefits received. Additionally, we were not provided the subrecipient's policy regarding employee recognition.

Finding 2023-034

Program: AL 93.069 – Public Health Emergency Preparedness (PHEP); AL 93.889 – National Bioterrorism Hospital Preparedness Program (HPP) – Matching and Reporting

Grant Number & Year: NU90TP922039, Budget period through June 30, 2022; U3REP190555, Budget period through June 30, 2022

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

Criteria: 45 CFR § 75.302(a) (October 1, 2022) states the following:

Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.

Per 45 CFR Appendix VII to Part 75:

> *Provisional rate means a temporary indirect cost rate applicable to a specified period which is used for funding, interim reimbursement, and reporting indirect costs on Federal awards pending the establishment of a "final" rate for that period.*

45 CFR § 75.306 (October 1, 2022) states, in part, the following:

> *(b) For all Federal awards, any shared costs or matching funds and all contributions, including cash and third party in-kind contributions, must be accepted as part of the non-Federal entity's cost sharing or matching when such contributions meet all of the following criteria:*
>
> *(1) Are verifiable from the non-Federal entity's records;*
>
> *(2) Are not included as contributions for any other Federal award;*
>
> *(3) Are necessary and reasonable for accomplishment of project or program objectives;*
>
> *(4) Are allowable under subpart E of this part;*
>
> * * * *
>
> *(f) When a third-party organization furnishes the services of an employee, these services must be valued at the employee's regular rate of pay plus an amount of fringe benefits that is reasonable, necessary, allocable, and otherwise allowable, and indirect costs at either the third-party organization's approved federally negotiated indirect cost rate or, a rate in accordance with § 75.414(f), provided these services employ the same skill(s) for which the employee is normally paid. Where donated services are treated as indirect costs, indirect cost rates will separate the value of the donated services so that reimbursement for the donated services will not be made.*

45 CFR § 75.403(a) requires costs to be "necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles."

A good internal control plan requires procedures to ensure documentation is adequate to support that matching funds are in accordance with Federal requirements.

Condition: The Agency did not have adequate documentation to support the amount of matching funds provided and reported on the annual Federal Financial Report.

A similar finding was noted in the prior audit.

We also noted the Agency did not use the final approved indirect cost rate (IDCR) to report indirect costs (IDC).

Repeat Finding: 2022-026

Questioned Costs: Unknown

Statistical Sample: No

Context: We tested the annual reports for PHEP and HPP for the budget period ended June 30, 2022. The reports included PHEP expenditures through September 21, 2022, and HPP expenditures through October 21, 2022. We noted the following:

- Both reports used the interim indirect cost rate rather than the final approved indirect cost rate. The final indirect cost rate was approved on August 22, 2022, prior to the submission of both reports.

Interim IDCR	Period	Base	Indirect Costs Reported	Final IDCR	Final Rate Indirect Costs
HPP					
28.8%	7/1/21-6/30/22	$ 234,124	$ 67,428	13.9%	$ 32,543
PHEP					
28.8%	7/1/19-6/30/20	$ 391,545	$ 112,765	22.4%	$ 87,706
28.8%	7/1/20-6/30/21	$ 274,518	$ 79,061	14.2%	$ 38,982
28.8%	7/1/21-6/30/22	$ 223,368	$ 64,330	13.9%	$ 31,048

- The Agency reported $93,374 in State matching expenditures for the HPP grant, which included $87,300 of third-party in-kind match. However, only $1,905 was adequately supported and verifiable.

Cause: Inadequate procedures.

Effect: Noncompliance with Federal requirements, which could lead to Federal sanctions.

Recommendation: We recommend the Agency implement procedures to ensure matching amounts are adequately supported and in accordance with Federal requirements.

> **Management Response:** The Agency partially agrees. In the reporting period under review, locally-provided match was insufficiently reported. However, the agency will substantiate additional match within the period of the cooperative agreement budget cycle so that total match over the five year period is sufficient to meet federal requirements.

Finding 2023-035

Program: AL 93.323 – COVID-19 Epidemiology & Laboratory Capacity for Infectious Diseases – Allowability & Subrecipient Monitoring

Grant Number & Year: NU50CK000547, period ending July 31, 2024

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

Criteria: Good internal control requires procedures to ensure payments are allowable and in accordance with Federal requirements.

45 CFR § 75.403 (October 1, 2022) requires costs to be reasonable, necessary, and adequately documented.

45 CFR § 75.404 (October 1, 2022) states, in part, the following:

> *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 § 75.302(a) (October 1, 2022) 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."

45 CFR § 75.352(d) (October 1, 2022) requires a pass-through entity 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; and that subaward performance goals are achieved."

45 CFR § 75.511(b) (October 1, 2022) 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.*

Neb. Rev. Stat. § 84-305(2) (Cum. Supp. 2022) states, in relevant part, 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, <u>but not more than three business days after actual receipt of the request,</u> 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. <u>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.</u>*

(Emphasis added.)

Condition: The Agency lacked adequate documentation to support that Epidemiology & Laboratory Capacity for Infectious Diseases (ELC) expenditures were allowable and in accordance with Federal requirements. A similar finding was noted in the prior audit. The Summary Schedule of Prior Audit Findings lists the status as complete.

Repeat Finding: 2022-027

Questioned Costs: $236,188 known

Statistical Sample: No

Context: ELC expenditures for the fiscal year totaled $24,568,124. Of that amount, $11,575,904 comprised payments to subrecipients. We tested the three largest payments to subrecipients, totaling $2,935,844. We also tested the largest journal entry. We noted the following:

- One subrecipient payment tested, totaling $747,489, lacked adequate documentation to ensure costs were in accordance with Federal cost principles. We noted questioned costs of $236,188.
    - Payments related to call center services did not have a contract, and there was no support for the percentage charged to the subaward. We requested information from the Agency on November 17, 2023, for the contract and allocation basis; however, as of January 31, 2024, no contract or additional information had been received.
    - Contract payments to a doctor to "furnish the full range of primary and preventive health care services" did not have support for the percentage charged to the subaward. The doctor was paid $27,052 monthly for a minimum of 14 days per month, and 50-60% of the payment was charged to the subaward.

  - Payroll and fringe benefits were not adequately supported, including $6,000 that appears to have been related to a loan reimbursement lacking adequate support that the amount was allowable or related to the subaward. Also, various fringe benefits were not adequately supported.

  The subrecipient was paid $1,645,791 during the fiscal year.

- We tested a journal entry for $2,993,082 related to air purifiers and filters that were shipped directly to daycares and schools across the State. After the orders were placed in December 2022, the Agency completed no procedures to ensure that the entities received the items ordered until October 2023. A total of 1,978 air purifiers and 2,934 filters were ordered by 231 daycares and schools. We reviewed the orders and, on December 8, 2023, requested documentation to support that the 15 largest orders were received in full. The Agency provided us with emails confirming that 11 of those 15 orders were received. The emails did not provide any details about how many items were ordered or received, only that items were received. The 15 orders totaled $794,962 of the $2,993,082 journal entry, and the 4 orders not confirmed totaled $230,242. Initially, we questioned the costs of the orders for which the Agency was unable to confirm receipt. Then, on February 7, 2024, eight weeks after our original request, the Agency provided us with four additional emails, dated February 7, 2024, (13 months after the orders were received) indicating that the four recipients related to the questioned costs did receive their orders. Again, none of the emails contained details of how many items were, in fact, ordered or received.

Cause: Inadequate procedures.

Effect: Without adequate controls, there is an increased risk for misuse of funds and abuse or fraud to occur.

Recommendation: We recommend the Agency implement procedures to ensure that costs are necessary, reasonable, and in accordance with Federal requirements and contract provisions. We further recommend implementing procedures to track orders that are paid by the Agency to ensure ordered items are received in full. Lastly, we recommend the Agency implement procedures to ensure compliance with § 84-305.

Management Response: The Agency agrees.

Finding 2023-036

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

Grant Number & Year: 2001NETANF, FFY 2020; 2101NETANF, FFY 2021

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

Criteria: Per 45 CFR § 75.403 (October 1, 2022), costs must be necessary, reasonable, and adequately documented.

Per Nebraska's Combined State Plan (Program Years 2020-2023):

> *DHHS will use TANF funds to support an array services to assist needy families with children so that children can be cared for in their own homes . . . . The eligibility criteria will be needs based as indicated by the family's program eligibility status for Aid to Dependent Children (ADC), Supplemental Nutrition Assistance Program (SNAP), SSI or Medicaid. Medicaid eligibility will be based on parent income and not state ward status of an identified child.*

Per 45 CFR § 75.302(a) (October 1, 2022):

> *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 § 75.303(a) (October 1, 2022) the non-Federal agency must do the following:

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

Good internal control requires procedures to ensure compliance with Federal regulations.

Condition: Child welfare claims paid with TANF funds were not in accordance with State and Federal requirements. A similar finding was noted in the prior audit.

Repeat Finding: 2022-029

Questioned Costs: $3,426 known (2001NETANF, $2,853; 2101NETANF, $573)

Statistical Sample: No

Context: The State Plan allows for payment of certain child welfare costs from Federal TANF funds. To identify eligible claims, the Agency performs a query of the NFOCUS system to pull claims for certain services (e.g., family support services, intensive family preservations and drug testing) for families in an active TANF, SNAP, or Medicaid case or an SSI recipient. The Agency transferred $4,203,769 from State general funds to Federal TANF funds during fiscal year 2023.

We reviewed the NFOCUS detail and noted 3,571 claims totaling $1,011,922 charged to TANF identified as no active TANF, SNAP, or Medicaid case. We selected 10 of these claims, totaling $3,426, and reviewed the case eligibility information on NFOCUS. For all 10 claims tested, there was no active TANF, SNAP, or Medicaid case or SSI for the family and/or no child in the home at the time of service; therefore, per the State Plan, these claims were not eligible.

The known questioned costs for claims tested was $3,426. The potential dollars at risk is $1,011,922 identified as no active TANF, SNAP, or Medicaid case.

Cause: Inadequate review procedures. The NFOCUS detailed active program cases, but the Agency failed to exclude those cases that were not active for TANF, SNAP, or Medicaid.

Effect: Without adequate controls to ensure claims are paid per Federal requirements, there is an increased risk for loss or misuse of funds.

Recommendation: We recommend the Agency improve procedures to ensure compliance with the Federal requirements.

> **Management Response:** The Agency agrees.

Finding 2023-037

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

Grant Number & Year: 2001NETANF, FFY 2020; 2101NETANF, FFY 2021

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

Criteria: Per 45 CFR § 75.403 (October 1, 2022), costs must be necessary, reasonable, and adequately documented.

Per 42 U.S.C. § 608(a)(4), "A State . . . shall not use any part of the grant to provide assistance to an individual who has not attained 18 years of age, is not married, has a minor child at least 12 weeks of age in his or her care, and has not successfully completed a high-school education (or its equivalent), if the individual does not participate in – (A) educational activities directed toward the attainment of a high school diploma or its equivalent; or (B) an alternative educational or training program that has been approved by the State."

The Nebraska State Plan for TANF, effective from July 1, 2020 to June 30, 2024, states, "Failure of a dependent child age 16, 17, or 18 to attend school without participating in any other Employment First approved work activity results in removal of the child's needs from the ADC unit."

Title 468 NAC 4-002.01(D) states that a work-eligible individual includes "A dependent child age 16, 17, or 18 who quits school or reduces hours under full-time status according to the educational institution's standards. This dependent child remains a work-eligible individual even if he or she returns to school." Per Title 468 NAC 4-002.02(F), a "dependent child age 16, 17, or 18" may be excluded as a work-eligible individual if he or she is "a full-time student and regularly attending an elementary or secondary school according to the educational institution's standards . . . . If the child is enrolled full-time for the next school term, the child's attendance in the first month of the school term must be verified."

Title 465 NAC 2-001.02A, states, in relevant part, the following:

> *The applicant or client must request a fair hearing within 90 days following the date the notice of adverse action is mailed. . . . If the client submits a request for a hearing within ten days following the date the notice is mailed, the staff shall not take the adverse action until a fair hearing decision is rendered.*

Per Title 468 NAC 4-010.02(A), "If the parent fails or refuses to participate in Employment First without good cause, the result is the loss of Aid to Dependent Children cash assistance for the entire family." Title 468 NAC 4-010.02(A)(i)(1) outlines the length of each sanction:

> *If the individual who has failed or refused to participate in EF is a parent, the sanctions will be as follows:*
> *(i) The first imposition of a sanction will last one month or until the failure to participate ceases, whichever is longer.*
> *(ii) The second sanction will last for three months or until the failure to participate ceases, whichever is longer.*
> *(iii) The third and subsequent sanctions must not be imposed without a second-level supervisory review. This sanction will last for a minimum of 12 months or until the failure to participate ceases, whichever is longer.*

Per Title 468 NAC 3-008.05(B)(ii), "All overpayments, regardless of cause, must be recouped if there is an active Aid to Dependent Children grant case or a recovery must be attempted from a closed grant case, if the outstanding overpayment amount is $35 or more."

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

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

Repeat Finding: 2022-030

Questioned Costs: $1,216 known (2001NETANF, $654; 2101NETANF, $562)

Statistical Sample: No

Context: For two cases tested, the Agency failed to verify that a dependent child was a full-time student regularly attending school. The dependent child should have been removed from the family unit until such verification was received. For one case, the school status for a 17-year-old dependent was not verified, resulting in questioned costs of $77 for the January 2023 benefit payment tested and an additional $346 in questioned costs for benefit payments for August 2022 through December 2022. For the second case, the school status for a 16-year-old dependent was not verified, resulting in questioned costs of $77 for the February 2023 benefit payment tested and an additional $308 in questioned costs for benefit payments for November 2022 through January 2023 and March 2023.

For another case tested, the March 2023 benefit payment should not have been issued to the client, resulting in questioned costs of $408. A third Employment First sanction was imposed on February 10, 2023, effective March 1, 2023, and the case was closed. The Notice of Action regarding the adverse action was mailed to the client on February 13, 2023. The client appealed the sanction; however, the request for fair hearing form was not received by the Agency until March 6, 2023 – 21 days after the Notice of Action was mailed. The worker processed the March 2023 benefit payment on March 7, 2023, even though the appeal request form was not submitted in 10 days. The error was identified by the Agency on March 8, 2023, and the case was closed again as of April 1, 2023. The appeal hearing was held on April 3, 2023, and on April 7, 2023, the Employment First sanction was affirmed, and the case remained closed. As of end of fieldwork on October 25, 2023, no overpayment has been established.

Federal payment errors noted in the sample were $562 with additional out-of-sample questioned costs of $654. The Federal sample tested was $10,028, and the total Federal cash assistance expenditures during the fiscal year were $13,140,182. Based on the sample tested, the case error rate was 12% (3/25). The dollar error rate was 5.6% ($562/$10,028), which projects the potential dollars at risk for fiscal year 2023 to be $735,850.

Cause: Worker error.

Effect: Increased risk that Federal funds will be paid to ineligible individuals.

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

Management Response: The Agency agrees.

Finding 2023-038

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

Grant Number & Year: 2101NETANF, FFY 2021; 2201NETANF, FFY 2022

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

Criteria: Per 45 CFR § 75.302(a) (October 1, 2022):

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 42 USC § 611, each State must "collect on a monthly basis, and report to the Secretary on a quarterly basis," case record information on the families receiving TANF assistance.

45 CFR § 265.3(a) (October 1, 2022) states the following:

(1) Each State must collect on a monthly basis, and file on a quarterly basis, the data specified in the TANF Data Report and the TANF Financial Report (or, as applicable, the Territorial Financial Report).

(2) Each State that claims MOE expenditures for a separate State program(s) must collect on a monthly basis, and file on a quarterly basis, the data specified in the SSP-MOE Data Report.

45 CFR § 265.7(a) (October 1, 2022) states the following:

Each State's quarterly reports (the TANF Data Report, the TANF Financial Report (or Territorial Financial Report), and the SSP-MOE Data Report) must be complete and accurate and filed by the due date.

The TANF Data Report instructions contain the following:

For purposes of completing this report, include all TANF eligible families receiving assistance (i.e., families funded under the TANF block grant and State MOE funded TANF families) as families receiving assistance under the State (Tribal) TANF Program. All counts of families and recipients should be unduplicated monthly totals.

* * * *

Instruction: Enter the number of families receiving assistance under the State (Tribal) TANF Program for each month of the quarter.
A. First Month: B. Second Month: C. Third Month:

Good internal control requires procedures to ensure reports are accurate, and any issues are resolved in a timely manner.

Condition: The Agency was unable to provide a detail of cases to support the Section Three Total Number of SSP-MOE Families. Also, issues noted during the Agency's review were not resolved timely.

A similar finding was noted in the prior audit.

Repeat Finding: 2022-031

Questioned Costs: None

Statistical Sample: No

Context: We tested the total number of families reported on the ACF-199 and ACF-209 reports for September 2022 and February 2023.

We asked the Agency to provide the detail of unduplicated families for those months. The Agency provided four Notepad text files for each month. The auditor copied the files to Excel and removed duplicate cases; however, the number of families per the Notepad files did not agree to the number of families reported for the ACF-209 reports. September 2022 Total SSP-MOE families reported was 310, and the number of families per the Notepad files was 388. February 2023 Total SSP-MOE families reported was 1,111, and the number of families per the Notepad files was 412.

Program staff review a sample each month of three 199 reports and three 209 reports. Issues noted were sent to the Agency IT staff. One of the issues noted was that closed cases appeared on the reports. This issue was noted prior to May 2021 but had not been resolved by the IT staff as of October 31, 2023.

Cause: Adequate resources were not devoted to correcting reporting errors noted.

Effect: Increased risk for inaccurate reporting and non-compliance with Federal requirements.

Recommendation: We recommend the Agency implement procedures to ensure reports are accurate, and any system issues are resolved in a timely manner.

Management Response: The Agency agrees.

Finding 2023-039

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

Grant Number & Year: 2001NETANF, FFY 2020

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

Criteria: 45 CFR § 75.352 (October 1, 2022) requires a pass-through entity to do the following:

> *(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; . . .*
>
> * * * *
>
> *(f) Verify that every subrecipient is audited as required by subpart F of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in § 75.501.*

45 CFR § 75.403 (October 1, 2022) requires costs be reasonable, necessary, determined in accordance with generally accepted accounting principles (GAAP) and adequately documented.

45 CFR § 75.430(i)(1) (October 1, 2022) provides the following, in relevant part:

> *(1) 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;*
> >
> > *(ii) Be incorporated into the official records of the non-Federal entity;*
> >
> > *(iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS);*
> >
> > *(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 . . . [.]*

Per 45 CFR § 75.431(c) (October 1, 2022):

> *The cost of fringe 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, and charged as direct or indirect costs in accordance with the non-Federal entity's accounting practices.*

Per the subaward agreement, "Under this Subaward, DHHS shall only pay for actual and allowable costs."

Good internal control requires procedures to ensure State and Federal requirements are met.

Condition: Subrecipient monitoring procedures should be improved.

Repeat Finding: No

Questioned Costs: $10,921 known

Statistical Sample: No

Context: We requested the financial monitoring files for two subrecipients. The Agency performed financial desk reviews for subrecipients; however, the reviews tested were not adequate. When desk reviews did not maintain adequate documentation, we provided the Agency with the opportunity to obtain additional support from the subrecipient. We tested one payment for each of the two subrecipients and noted the following:

- One payment did not have adequate support for salaries and benefits. Time records did not reflect the total activity for employees. Additionally, fringe benefits were based on budgeted amounts, not actual costs. The payment tested was $110,492, and we question $2,963. The subrecipient was paid $1,750,753 during the fiscal year.

  We further noted this subrecipient should have had a Single audit submitted for fiscal year ended June 30, 2022, by March 31, 2023; however, none had been submitted. After our inquiry, the Agency followed up with the subrecipient on October 25, 2023, and the subrecipient stated the fiscal year 2022 audit had not yet been completed.

- A second payment tested did not have adequate support. Time records did not reflect the total activity for employees, and there was not adequate support for employees who worked on more than one activity. Also, an overbilling was not corrected. The payment tested was for $114,895, and we question $7,958. The subrecipient was paid $1,426,186 during the fiscal year.

Fourteen subrecipients were paid a total of $15,223,886 during the fiscal year.

Cause: Inadequate review and staff turnover.

Effect: Noncompliance with Federal regulations and increased risk for fraud or errors to occur.

Recommendation: We recommend the Agency improve procedures to ensure compliance with Federal regulations, including cost principles. We further recommend the Agency improve procedures to ensure that subrecipients have a Single audit completed and submitted, as required.

Management Response: The Agency agrees.

<u>Finding 2023-040</u>

Program: AL 93.566 – Refugee and Entrant Assistance State/Replacement Designee Administered Programs – Allowability & Eligibility

Grant Number & Year: 2201NERCMA, FFY 2022; 2301NERCMA, FFY 2023

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

Criteria: Per 45 CFR § 75.303 (October 1, 2022),

> *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 the U.S. Department of Health and Human Services' Office of Refugee Resettlement (ORR) guidance, published in the Federal Register on March 28, 2022, at 87 FR 17312:

> *In accordance with ORR regulations, the Director of ORR is announcing the expansion of the Refugee Cash Assistance (RCA) and Refugee Medical Assistance (RMA) eligibility period from 8 months to 12 months of assistance for participants whose date of eligibility for ORR benefits is on or after October 1, 2021.*

Per 45 CFR § 400.66(e) (October 1, 2022), "The State agency may use the date of application as the date refugee cash assistance begins in order to provide payments quickly to newly arrived refugees."

Title 470 NAC 2-002 states, in part, the following:

Eligibility begins with the date of arrival in the United States, if the refugee meets all eligibility requirements. For asylees, victims of severe forms of trafficking, and Cuban and Haitian Parolees eligibility begins with the date of granted status. The time limit is applied to each refugee separately, not to the unit as a whole. If the refugee applies after the date of arrival in the United States, they may receive assistance for the remaining months of their eligibility period.

Per Title 470 NAC 1-010, "Eligibility is redetermined at six months. Eligibility may be redetermined in less than six months to coordinate review dates for more than one program. An application is required as part of the eligibility review and to establish a new eligibility period."

Title 45 CFR § 400.2 (October 1, 2022) defines refugee cash assistance (RCA) as "cash assistance provided under section 412(e) of the Act to refugees who are ineligible for TANF [Temporary Assistance for Needy Families], OAA [Old Age Assistance], AB [Aid to the Blind], APTD [Aid to the Permanently and Totally Disabled], AABD [Aid to the Aged, Blind, and Disabled], or SSI [Supplemental Security Income]." Title 45 CFR § 400.2 defines refugee medical assistance (RMA) as, "(a) Medical assistance provided under section 412(e) of the Act to refugees who are ineligible for the Medicaid program[.]"

Title 468 NAC 2-001 explains the eligibility requirements for Nebraska's TANF program, including "(B) United States citizenship or alien status; (C) Nebraska residence; . . . (F) Age requirement for a dependent child; . . . ."

Title 477 NAC 2-001 provides, in relevant part, the following:

To be eligible for Medicaid, an individual must satisfy the requirements of the following eligibility criteria, as applicable:

1. Application;

2. U.S. citizenship or alien status (see Appendix 477-000-003 and 477-000-004);

3. Nebraska residence;

4. Social Security number;

5. Age (limited to ABD, Former Foster Care, Children, 599 CHIP, Former Ward, Women's Cancer Program)[.]

Title 45 CFR § 401.2 (October 1, 2022) states the following:

For purposes of this part a Cuban and Haitian entrant or entrant is defined as:

(a) Any individual granted parole status as a Cuban/Haitian Entrant (Status Pending) or granted any other special status subsequently established under the immigration laws for nationals of Cuba or Haiti, regardless of the status of the individual at the time assistance or services are provided; and

(b) Any other national of Cuba or Haiti

(1) Who:

(i) Was paroled into the United States and has not acquired any other status under the Immigration and Nationality Act;

(ii) Is the subject of exclusion or deportation proceedings under the Immigration and Nationality Act; or

(iii) Has an application for asylum pending with the Immigration and Naturalization Service; and

(2) With respect to whom a final, nonappealable, and legally enforceable order of deportation or exclusion has not been entered.

The Agency utilizes SAVE (Systematic Alien Verification for Entitlements) to determine an applicant's status. SAVE is an online service that allows Federal, State, and local benefit-granting agencies to verify a benefit applicant's immigration status or naturalized/derived citizenship. SAVE is administered by U.S. Citizenship and Immigration Services, a component of the Department of Homeland Security.

Good internal control requires procedures to maintain SAVE documentation used to verify an applicant's status and ensure the applicant is not under an active order of deportation.

Condition: Refugee assistance payments were not in compliance with State and Federal requirements.

Repeat Finding: No

Questioned Costs: $9,092 known (2201NERCMA, $1,957; 2301NERCMA, $7,135)

Statistical Sample: No

Context: The Refugee and Entrant Assistance program provides aid payments both directly to individuals who are deemed eligible for cash assistance (RCA) and also medical assistance (RMA) through the managed care program. We tested 25 RCA payments and 25 RMA payments to a total of 35 recipients. (For 15 of these recipients, we tested both RCA and RMA payments.) We noted the following:

- One recipient tested, who received both RCA and RMA, was over the age of 65 and may have qualified for other assistance programs before refugee assistance; however, a referral to other programs was not completed. Refugee assistance is not allowable for individuals eligible for other programs, such as Medicaid and OAA.

- Another recipient, who received both RCA and RMA, had been in the U.S. for over 12 months and had, in fact, became a permanent resident in August 2013. Therefore, she was ineligible for Refugee assistance.

- We tested 25 recipients to determine whether eligibility had been redetermined at six months, as required.

    - One recipient tested entered the United States on January 30, 2022, and applied for assistance on February 25, 2022, making his eligibility redetermination due on or about August 26, 2022. We reviewed all support for the recipient's case and were unable to verify that a redetermination of eligibility, including a new application, was completed. The Agency confirmed that no documentation was on file to support completion of the redetermination. The recipient continued to receive benefits until January 2023, when his 12-month eligibility period had expired.

    - Another recipient tested entered the United States on June 25, 2022, and applied for assistance on July 5, 2022, making her eligibility redetermination due on or about January 3, 2023. We observed that an eligibility redetermination was recorded to the recipient's case on December 15, 2022; however, the Agency did not receive a new application at that time. The Agency was unable to verify that an application was provided before eligibility was redetermined. The recipient continued to receive benefits until May 2023, when her 12-month eligibility period had expired.

- For 25 of 35 recipients, adequate documentation was not on file to support that the Agency had verified, using the SAVE system, that the individual was not under an active order of deportation prior to starting benefit payments. In some cases, we were unable to verify if a SAVE system query had been completed at all. One of the recipients had a SAVE response of "No Status," which indicates an immigration status was not found for the applicant, and updated documents were required for a new search. After our inquiry, the Agency requested new SAVE responses; therefore, we did not question costs related to SAVE documentation.

Refugee Cash Assistance payments for the fiscal year totaled $6,924,438. The Federal sample tested was $8,099, and Federal payment errors noted for the RCA sample tested were $331. The dollar error rate for the sample was 4.09% ($331/8,099), which estimates the potential dollars at risk for fiscal year 2023 to be $283,210 (dollar rate multiplied by the population).

Refugee Medical Assistance payments for the fiscal year totaled $5,058,730. The Federal sample tested was $3,949, and Federal payment errors noted for the RMA sample tested were $327. The dollar error rate for the sample was 8.28% ($327/3,949), which estimates the potential dollars at risk for the fiscal year 2023 to be $418,863 (dollar rate multiplied by the population).

In addition to the $658 Federal questioned costs noted on the sample items tested, we noted $3,133 of Federal questioned costs on other cash assistance payments to the recipients noted above during the fiscal year and $5,301 of Federal questioned costs for other medical assistance payments on behalf of these recipients.

Cause: Ineffective controls. Written procedures are in place but not consistently followed.

Effect: Increased risk for loss or misuse of funds.

Recommendation: We recommend the Agency strengthen procedures to ensure payments are adequately supported and in accordance with State and Federal regulations. We further recommend the Agency ensure that SAVE documentation is maintained on file.

Management Response: The Agency agrees.

Finding 2023-041

Program: AL 93.566 – Refugee and Entrant Assistance State/Replacement Designee Administered Programs – Allowability & Subrecipient Monitoring

Grant Number & Year: 2101NERSSS, FFY 2021; 2201NERSSS, FFY 2022

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

Criteria: 45 CFR § 75.352(d) (October 1, 2022) requires a pass-through entity 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; and that subaward performance goals are achieved."

45 CFR § 75.302(a) (October 1, 2022) 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."

45 CFR § 75.403 (October 1, 2022) requires costs to be reasonable, necessary, and adequately documented.

45 CFR § 75.405(a) (October 1, 2022) states the following:

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

(1) Is incurred specifically for the Federal award;

(2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and

(3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart.

45 CFR § 75.430(i)(1) (October 1, 2022) states, in 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:

(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 . . . .

45 CFR § 75.431(c) (October 1, 2022) states the following:

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, and charged as direct or indirect costs in accordance with the non-Federal entity's accounting practices.

45 CFR § 75.2 (October 1, 2022) defines general purpose equipment as follows:

[E]quipment which is not limited to research, medical, scientific or other technical activities. Examples include office equipment and furnishings, modular offices, telephone networks, information technology equipment and systems, air conditioning equipment, reproduction and printing equipment, and motor vehicles.

45 CFR § 75.2 (October 1, 2022) defines capital assets as follows:

[T]angible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with GAAP. Capital assets include: (1) Land, buildings (facilities), equipment, and intellectual property (including software) whether acquired by purchase, construction, manufacture, lease-purchase, exchange, or through capital leases . . . .

45 CFR § 75.439(b)(1) (October 1, 2022) states, "Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except with the prior written approval of the HHS awarding agency or pass-through entity."

A good internal control plan requires procedures to ensure that subrecipient expenditures are properly documented, in accordance with Federal regulations, and apply to work performed under the subaward project description.

Condition: Subrecipient monitoring procedures were inadequate.

Repeat Finding: No

Questioned Costs: $400,864 known (2101NERSSS, $154; 2201NERSSS, $400,710)

Statistical Sample: No

Context: The Agency paid 14 subrecipients a total of $5,212,322 during the fiscal year ended June 30, 2023, for the Refugee and Entrant Assistance program (Program). Subrecipients provide employment services, social support services, and legal assistance to refugees. Subrecipient reimbursement requests are submitted quarterly with a summarized invoice of costs incurred and a Budget Workbook showing expenses by category; however, no source documentation, such as invoices and timesheets, are required at the time of reimbursement.

Program staff were unable to provide any program-specific procedures; however, they eventually did provide Agency-wide procedures for subrecipient monitoring and noted that program-specific procedures were being written. These Agency-wide procedures indicate that each reimbursement invoice should include timesheets or time studies, paystubs, and receipts, among other documentation, to support that expenses are allowable. Program staff also provided a schedule used to review one quarter of reimbursed expenses for each subrecipient, throughout the year, looking at three subrecipients each quarter.

We selected the four highest-paid subrecipients of the fiscal year and requested the support that the Program obtained from its review of the scheduled quarter. The Agency obtained minimal invoice support for the desk reviews and did not request any documentation to support personnel costs, such as paystubs and timesheets, nor any underlying support for amounts used for allocated expenses.

Due to the inadequacy of desk review documentation, we offered the Agency the opportunity to gather supporting documentation from the subrecipients. We allowed the Agency three weeks to obtain support and an additional week after our review. However, the support provided was not adequate for any of the four subrecipients tested. We noted the following:

- Documentation was not adequate to support that personnel charges were allowable and in accordance with Federal cost principles. Time records were missing or did not agree to time charged or were not in accordance with 45 CFR § 75.430(i). We also noted personnel costs charged using budgeted amounts, which is not allowable. We further noted fringe benefits were not adequately supported.

- Documentation was not adequate to support the percentage of non-payroll expenses charged to the Program. Numerous charges were based on allocations, which are allowable only if distributed using reasonable methods in accordance with relative benefits received. Support was not adequate to determine the allocation was proper, for example:

- One subrecipient had a finance agreement that appeared to be for equipment with a principal amount of $153,028 and monthly payments of $5,390. The subaward was charged $1,250 per month, but there was no support for how this amount was determined or that it was reasonably distributed in accordance with benefits received. In addition, this appears to be a capital expenditure for general purpose equipment, and prior written approval was not on file. Also, there was no support detailing the items purchased to determine if allowable per the grant and Federal cost principles.

- One subrecipient charged 92% of workers' compensation insurance to the grant, but documentation was not adequate to support this percentage agreed to staff time worked on the grant.

- One subrecipient did not have support for the percentage of rent charged to the grant.

- One subrecipient had accounting fees charged each month on varying percentages, but the basis for those percentages was not supported.

- Indirect costs were not calculated correctly on one reimbursement tested.

Below is a summary of amounts paid and support reviewed by the Agency for those four subrecipients.

#	Quarter Reviewed	Total Paid in Quarter Reviewed	Total Reviewed by Agency	Total Paid during Fiscal Year	Auditor Questioned Costs for Quarter Tested
1	Oct-Dec 2022	$ 427,250	$ 2,425	$ 1,678,811	$ 198,070
2	Jan-Mar 2023	$ 386,524	$ 0*	$ 919,422	$ 154,114
3	Apr-June 2022**	$ 129,198	$ 2,986	$ 605,862	$ 20,928
4	July-Sep 2022	$ 131,368	$ 541	$ 467,121	$ 27,752
	Totals	$ 1,074,340	$ 5,952	$ 3,671,216	$ 400,864

**According to staff, the subrecipient was not monitored because it merged with a subrecipient that was monitored for April-June 2022.*
***Costs for April-June 2022 were reimbursed in fiscal year 2023.*

Cause: Inadequate procedures.

Effect: Without adequate subrecipient monitoring procedures, there is an increased risk for the misuse of Federal funds and noncompliance with Federal regulations.

Recommendation: We recommend the Agency perform adequate subrecipient monitoring to ensure both the allowability of costs and adherence to Federal regulations.

Management Response: The Agency agrees.

<u>Finding 2023-042</u>

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

Grant Number & Year: 2201NELIEA, FFY 2022

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

Criteria: 45 CFR § 96.30(a) (October 1, 2022) requires "fiscal control and accounting procedures must be sufficient to (a) permit preparation of reports required by the statute authorizing the block grant . . . ."

45 CFR § 96.82(a) (October 1, 2022) states the following:

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

42 U.S.C. § 8624(c)(1)(G) requires a plan that does the following:

> *[S]tates, with respect to the 12-month period specified by the Secretary, the number and income levels of households which apply and the number which are assisted with funds provided under this subchapter, and the number of households so assisted with-*
>
> *(i) one or more members who had attained 60 years of age;*
>
> *(ii) one or more members who were disabled; and*
>
> *(iii) one or more young children; . . . .*

The Instructions for the LIHEAP Household Report, published November 30, 2022, by the U.S. Division of Energy Assistance, contains the following:

> ***Concept of Unduplicated Household Counts***
>
> ** * * **
>
> *The concept of unduplicated counts means that an item, such as a household, is counted only once for a specific data variable. However, unduplicated counting becomes complex when there are multiple data variables. Such counting requires the use of computerized data systems and tracking of households across a state's entire LIHEAP program, including households receiving weatherization through LIHEAP funds.*
>
> *Unduplicated household data must be reported separately for EACH type of LIHEAP assistance and for ANY type of LIHEAP assistance, as described in "Unduplicated Household Counts" under Section II of these instructions.*
>
> * * * *
>
> ***Section II - Assisted Households by Poverty Intervals for Each Type of LIHEAP Assistance***
>
> *Household poverty levels must be reported according to the specified percent intervals. The number of assisted and applicant households are to be counted by poverty level for EACH Type of LIHEAP Assistance and each line, but not for applicant and assisted households that received ANY Type of LIHEAP Assistance. . . .*
>
> * * * *
>
> ***Uniform Counting and Reporting***
>
> *Annual gross household incomes, adjusted by the number of household members (household size), are to be used in computing household poverty percentages, using the 2021 HHS Poverty Guidelines that were in effect at the beginning of FFY 2022 (October 1, 2021).*

Gross Household Income Adjusted by Household Size

*** * * ***

A household's gross annual income and/or household size can change during the fiscal year. If a household received two benefits or services under the same type of LIHEAP assistance, use that household's gross annual income and household size at the time of the initial determination of benefits or services in calculating that household's poverty level for statistical reporting.

Condition: The Agency lacked adequate procedures to ensure that Household Report information was complete and accurate. A similar finding was noted in the prior audit.

Repeat Finding: 2022-033

Questioned Costs: None

Statistical Sample: No

Context: In its LIHEAP Household Report for FFY 2022, the Agency reported 762 applicant households for the weatherization program. This information for weatherization applicant households was provided by the Nebraska Department of Environment and Energy (NDEE), which obtained the figures from its subrecipients. NDEE forwarded the information to the Agency for reporting.

We noted the following:

- The report logic and formulas to count households by poverty level was inaccurate, resulting in 103 households not being included.

- Duplicates were noted within the data provided by the subrecipients. Only one line should be reported per household; however, 46 lines were observed to be duplicates.

The applicants reported by poverty level, and the correct numbers after considering the errors noted are listed in the table below:

Poverty Interval	Per Report	Actual
Over 150% Poverty	166	163
126%-150% Poverty	80	76
101%-125% Poverty	26	90
75%-100% Poverty	104	100
Under 75% Poverty	110	121
Income Data Unavailable	276	269
Total Applicants	**762**	**819**

We selected a sample of 10 households included on the FFY 2022 Household Report as LIHEAP assisted households, LIHEAP applicant households, or weatherization-assisted households. Two of the 10 households tested were reported or classified improperly, as follows:

- One household was reported at the “Under 75% Poverty” income level. However, based on the Agency’s calculation of annual income of $15,872/year for a household size of two, this is 91% of the 2021 Federal poverty level for a household of two, which was $17,420.

- One household was reported at the "Under 75% Poverty" income level. However, based on the Agency's calculation of annual income of $11,352/year for a household size of one, this is 88% of the 2021 Federal poverty level for a household of one, which was $12,880.

Cause: Inadequate review procedures. The logic error noted in the prior audit has not been corrected.

Effect: Without adequate procedures to ensure reports contain accurate information, there is increased risk of noncompliance with Federal regulations.

Recommendation: We recommend the Agency strengthen its procedures to ensure all participants of the LIHEAP program are reflected properly in the Household Report.

Management Response: The Agency agrees.

<u>Finding 2023-043</u>

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

Grant Number & Year: 2201NETANF, FFY 2022; 2001NECCDF, FFY 2020; 2301NECCDM, FFY 2023; 2301NECCDF, FFY 2023; 2101NECCC5, FFY 2021

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

Criteria: 45 CFR § 75.403 (October 1, 2022) provides the following, in relevant 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. See also §§ 75.300 through 75.309.

Per 45 CFR § 75.303 (October 1, 2022):

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.

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, 2022) 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."

To be eligible for services, 45 CFR § 98.20 (October 1, 2022) requires a child to be under 13 years of age, a citizen, and residing with a family whose income does not exceed 85% of the State's median income.

Title 392 of the Nebraska Administrative Code (NAC) 2-013.03(A) (*Eff. 9/15/2020*) states, "A recipient is limited to a maximum of sixty hours of Child Care Subsidy per week. A week is defined as the seven day period from Sunday through Saturday."

Title 392 NAC 3-004.01(A) (*Eff. 9/15/2020*) states, "The Department pays by attendance, not enrollment."

Title 392 NAC 3-004.01(A)(i) (*Eff. 9/15/2020*) states, "The provider may bill the full authorized amount for times that the child is absent on a scheduled day, up to five times per month."

Title 392 NAC 3-001.02(D) (*Eff. 9/15/2020*) states, "The recipient and child care provider must ensure that the services are delivered as authorized."

Title 392 NAC 4-001 (*Eff. 9/15/2020*) states, in relevant part, "In order for a child care provider to participate in the subsidy program: . . . (F) Service provider enrollments are in effect for up to 12 months, are not back-dated, and must be completed and signed by all parties on or before the effective date."

Title 392 NAC 4-002 (*Eff. 9/15/2020*) states, in relevant part, "Before furnishing any service, each provider must sign an enrollment form agreeing: (A) No payments will be made for child care provided to a child before the service authorization date; (B) To provide service only as authorized, in accordance with the Department's standards; . . . (G) To retain authorizations, billing documents, and attendance records for four years to support and document all claims[.]"

The Child Care Provider Handbook (Handbook), dated January 2008, Section IV.C., 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 Section I, defines a "Full Day of Care" as "Five hours and 46 minutes (6 hours) through 9 hours (9 hours and 59 minutes) unless the child care program defines its day as more than 9 hours." Section IV.A., of the Handbook goes on to state, "K.1. Authorized Units. Hourly or daily units listed on the Authorization are for the total time frame of the Authorization period - less than 6 hours are hourly units - 6 hours or more are daily units[.]"

EnterpriseOne is the official accounting system for the State of Nebraska, and all expenditures are generated from it.

Good internal control requires procedures to ensure that payments are in accordance with Federal and State requirements.

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: 2022-034

Questioned Costs: $163,622 known

AL	Grant #	Questioned Costs
93.575	2201NETANF	$ 1,904
93.575	2001NECCDF	$ 2,155
93.575	2101NECCC5	$ 158,331
93.596	2301NECCDM	$ 484
93.596	2301NECCDF	$ 748

Statistical Sample: No

Context: We noted claims that lacked support and/or did not agree to support, services billed more than authorized, and duplicate claims charged, as detailed below.

Random Sample

We tested 30 child care claims paid with Federal funds. We noted 11 claims with errors. Some payments had more than one type of error.

- For eight claims tested, there were discrepancies between the attendance sheet and the claim billed:
  - For one claim, the Agency was unable to obtain the attendance calendar from a provider who had closed in October 2022. With no attendance calendar, we were unable to verify the accuracy of the claim amount.
  - For two claims, two providers were authorized to provide care for the same child at the same time. We requested the attendance calendars from the second provider and found overlapping claims where both providers were billing for the same time period.
    - For one claim, there were two days with a total 5.75 overlapping hours of care.
    - For another claim we noted 17 hours and seven days of overlapping care.
  - For five claims, the providers billed for more hours and/or days than what was recorded on the child's attendance sheet:
    - One provider billed a day with 9 hours and 53 minutes of care as one day plus one hour. Per the NAC, the additional time over a day unit is not billed until the care has reached 10 hours.
    - One provider billed for 19 days of child care, while the attendance calendar for the child showed only 18 days of care.
    - One provider billed 12 days and one hour of child care. The attendance calendar showed 7 days and four hours of care.
    - One provider billed for 19 days of child care, while the attendance sheet showed only 16 days of care.
    - One provider billed for four days and 60 hours of child care. The attendance sheet showed 65 hours of care, but no days.
- For two claims tested, the providers provided care for a child over the authorized amount.
  - One provider was authorized to provide child care to a child for up to 18 hours per week while the father was working as a self-employed maintenance worker, which is the equivalent of three days of care. The provider claimed four days of care (totaling 31 hours).
  - One provider was authorized to provide child care up to 27 hours per week – equivalent to four days at one day unit each (more than six hours each). The provider claimed five to six day units each week in the month tested. Weekly hours provided ranged from 32 to 45 hours.

- For three claims tested, the School Age Care claimed did not agree to the school schedule of the child. School Age Care is authorized for before and after school and on days school is not in attendance.

    - Two providers were recording the child's "out" time each morning at 9:00 a.m. and the "in" time in the afternoon at 4:00 p.m. The school day started at 8:50 a.m. and ended at 4:05 p.m. While the NAC does allow for rounding to the nearest quarter hour for each day's total time of services, the "in" and "out" times should not be rounded. It would not be possible for the child to leave daycare at 9:00 a.m. and arrive at school at 8:50 a.m., or to leave school at 4:05 p.m. and arrive at daycare at 4:00 p.m. The Agency agreed that this practice was adding an extra 15 minutes or quarter hour to each day.

    - For one claim, the provider charged a full day of care on a school day during which the child would have been in school. The Agency could not explain why a full day of care was being charged on a day that school was in session.

- For one claim, the Agency could not provide a birth record or birth certificate for the child; therefore, we could not verify that the child was under 13 years old.

- For one claim, the Agency was unable to provide the agreement between the Agency and the provider that would have been valid at the time of service.

Federal payment errors noted for the sample tested were $1,458. The total Federal sample tested was $10,095, and total child care Federal assistance claims for the fiscal year were $45,598,523. Based on the sample tested, the case error rate was 36.67% (11/30). The dollar error rate for the sample was 14.44% ($1,458/10,095), which estimates the potential dollars at risk for the fiscal year 2023 to be $6,584,427 (dollar rate multiplied by the population).

In addition to the $1,458 questioned costs noted on the sample items tested, we noted $695 of questioned costs on other line items of the claims reviewed, which resulted from missing and inaccurate documentation and service authorizations being exceeded.

Unusual Claims Tested

We reviewed the detail of child care claims for unusual items, such as excessive hours billed in a month. Four of five claims tested were improper.

- One provider billed 348 hours for School Age care provided during one month. We reviewed the attendance calendar, which showed that care was provided from 6:00 a.m. to 6:00 p.m. or 9:00 p.m. every day but Sundays. This is not reasonable, as it includes hours when the School Age child should have been in school. We also noted the provider billed over the authorized hours of care. The provider was authorized to provide care up to 53 hours per week; however, during the last two weeks of the month, the provider claimed 60 hours of care. After identifying the dates and times that the child would have been attending school, we then recalculated attendance with reasonable in and out times, up to the authorized hours per week, and determined that the provider overbilled by $906. We consider these questioned costs.

- One provider billed 240 hours at a rate of $5.50/hour for School Age care provided during one month. We reviewed the attendance calendar, and the care was overnight from 7:00 p.m. to 7:00 a.m. (12 hours), so the provider should have been billing for one day unit (up to 10 hours) plus 2 additional hourly units for each day of care. We recalculated what the claim should have been with 20 day units at $34/day and 40 hourly units at $5.50/hour and question the difference, or $460.

- One provider billed care of one School Age child between the dates of May 1, 2021, and May 17, 2021, for 231 hours at a rate of $2.25/hour and 17 days at a rate of $15/day. We requested the attendance records to verify the claim, but the Agency was unable to provide the documentation because the provider had closed. Without the attendance calendar needed to verify the propriety of these units, we question the $775 paid.

- One provider billed 240 hours of overtime during one month. We requested the attendance records to verify the claim, but the Agency was unable to provide the documentation. The provider responded to the Agency that she would not be sending in an attendance calendar because she had thrown away all the documentation when the Agency closed her down. Without the attendance calendar to verify the reasonableness of these units, we question the $997 paid.

Duplicate Claims

Child care claims are initially paid from State funds. Journal entries are then performed throughout the year to transfer costs to Federal funds. A detailed listing of claims accompanies these journal entries to show which claims are included in the amounts moved from State funds to Federal funds.

We reviewed the detailed claim listings for each journal entry completed during the fiscal year and found that duplicate claims were included in two journal entries. The journal entry in March 2023 included 428 claims, totaling $158,331, that had been charged to Federal funds in September 2022; therefore, $158,331 is considered questioned costs.

Cause: Ineffective review. The Agency does not have automated procedures to ensure: 1) attendance records agree to billing documents; 2) service authorizations are not exceeded; and 3) claims are in accordance with regulations.

Effect: Ineffective review of claims increases the risk for errors and 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 implement procedures to ensure journal entries do not charge duplicate claims. Finally, we recommend the Agency take the necessary action to recover the overpayments.

Management Response: The Agency agrees.

Finding 2023-044

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

Grant Number & Year: Various, including 2301NECCDF, FFY 2023

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

Criteria: Per 45 CFR § 98.41 (October 1, 2022), the State must have requirements to protect the health and safety of children, including the prevention and control of infectious diseases, building and physical premises safety, and health and safety training.

Per 391 NAC 3-005.09A and NAC 4-005.09A:

> *The Department will make a fire inspection referral when: . . . 2. Every two years following the initial fire inspection[.]*

Per 391 NAC 3-005.09B:

> *The Department will make a sanitation inspection referral when: . . . 2. Every two years following the initial sanitation inspection . . . [.]*

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

Condition: The Agency lacked adequate procedures for ensuring that health and safety requirements were met for child care providers. A similar finding was noted in the prior audit.

Repeat Finding: 2022-035

Questioned Costs: None

Statistical Sample: No

Context: We tested 17 child care centers subject to fire and sanitation inspections. For six child care centers tested, a required inspection had not been performed as of fieldwork on November 13, 2023. The Agency has made referrals for the fire and sanitation inspections; however, the inspections are overdue, and the Agency is ultimately responsible for ensuring that these inspections are performed.

#	Type of Inspection	Date of Last Inspection	Months Overdue as of June 30, 2023
1	Fire Inspection	2/14/2020	16
1	Sanitation Inspection	8/21/2019	22
2	Sanitation Inspection	9/3/2020	9
3	Sanitation Inspection	2/28/2019	28
4	Fire Inspection	4/6/2021	2
5	Fire Inspection *	9/4/2018	33
6	Sanitation Inspection	4/13/2021	2

*The child care center was located in a school, and the Agency does not make referrals to school-age-only centers located in a school.

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 centers. These procedures should include regular follow-up with the Fire Marshall or local fire departments and local health departments or the Environmental Health Agency to ensure the inspections are completed timely. This also should include establishing a documented review of inspection requirements for school-age-only child care centers as well as child care centers located in a school.

Management Response: The Agency partially agrees. It is agreed that some sanitation and fire inspections have not been conducted every 2 years. These inspections are conducted by entities external to DHHS. Resources are an issue for these entities, which contributes to not meeting the regulatory timeframes for DHHS Children's Services Licensing.

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 changes in 2020, 2021, 2022 and 2023; however, DHHS has no authority to require these entities to complete the inspections more promptly or release completed inspections when the licensee has not paid for the fire or sanitation inspection. DHHS will continue to implement policies and procedures: File Review by Child Care Licensing Supervisors and Fire and Sanitation Inspection Referrals.

It is accurate that "per 45 CFR § 98.41 (October 1, 2020), 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." DHHS disagrees that: "The Agency did not have adequate procedures in place to ensure health and safety requirements were met for child care providers." Regulations 391 NAC 1-5 include robust requirements to address a healthy and safe environment that includes: environmental services and safety, physical plant standards, communicable diseases, children excluded due to illness, medications, food safety, emergency preparedness, safety training and nutrition and food service training. Child Care Inspection Specialists conduct inspections pursuant to these regulations, checking on compliance in the areas listed above, and these inspections are conducted once or twice annually as required by statute.

It is important to note that if serious fire safety and sanitation concerns are observed at any inspection that may endanger the health and safety of children in care, it is standard practice to work with the appropriate authority to request an immediate inspection. Fire and sanitation have always responded timely to these requests. This has been a long-standing policy and procedure in Children's Services Licensing specific to Family Child Care Homes I and II and is part of the child care licensing regulations.

391 NAC Chapters 1-5:
1-005.08 Inspection by Other Entities
2-005.09 Inspection by Other Entities
3-005.09 Inspections by Other Entities
4-005.09 Inspections by Other Entities
5-005.09 Inspections by Other Entities

APA Response: The Agency is the recipient of the Federal funds and is, therefore, ultimately responsible to ensure that fire and sanitation inspections are performed. Without such inspections, there is an increased risk of children being cared for in unsafe facilities.

Finding 2023-045

Program: AL 93.575 – Child Care and Development Block Grant – Period of Performance

Grant Number & Year: 2101NECCDD, FFY 2021

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

Criteria: Per 45 CFR § 98.60(d) (October 1, 2022):

> *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.*
>
> * * * *
>
> *(5) Obligations may include subgrants or contracts that require the payment of funds to a third party (e.g., subgrantee or contractor). However, the following are not considered third party subgrantees or contractors:*
> *(i) A local office of the Lead Agency;*
> *(ii) Another entity at the same level of government as the Lead Agency; or*
> *(iii) A local office of another entity at the same level of government as the Lead Agency.*

According to 45 CFR § 75.511(a) (October 1, 2022), "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings."

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

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

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

A good internal control plan requires procedures to ensure compliance with Federal regulations.

Condition: Expenditures were charged to the FFY 2021 grant after the period of performance. A similar finding was noted in the prior audit. The Summary Schedule of Prior Findings lists the status as complete.

Repeat Finding: 2022-036

Questioned Costs: $1,939,538 known

Statistical Sample: No

Context: The FFY 2021 Child Care Discretionary grant must be obligated by September 30, 2022. We noted $1,939,538 paid from October 5, 2022, through June 28, 2023, for Agency employee payroll.

Cause: Ineffective control procedures.

Effect: Noncompliance with Federal regulations.

Recommendation: We recommend the Agency improve procedures to ensure expenditures charged are within the allowed time period.

> **Management Response:** The Agency agrees.

Finding 2023-046

Program: AL 93.575 – COVID-19 Child Care and Development Block Grant – Allowability

Grant Number & Year: 2101NECCC5, FFY 2021

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

Criteria: 45 CFR § 98.67(a) (October 1, 2022) 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."

The Contractor's "4.1a Payment Processing Manual v2.0" provides a summary of the payment criteria for the Workforce Recognition Retention Stipend Grants (WRRS) and Loan Repayment and Debt Reduction Grants (LRDR), as follows:

> *•WRRS grant: Base Award $2,500; $750 for Full-Time and $0 for Part-Time; $500 for 5+ years of tenure and $250 for 1-5 years of tenure; $1,000 for Teachers and Assistant Teachers and $0 for all other roles; $500 for Night (9pm to 6am) and Weekend Shift Workers and $0 for Day Shift Workers; and a $1,750 bonus for Family Home Child Care I and II facilities.*
>
> *•LRDR grant: Base award up to $20,000 but not to exceed total eligible student loan debt. Additional $5,000 bonus was made available for teachers and assistant teachers and $5,000 bonus was made available to applicants with master's degrees.*

Good internal control requires procedures to ensure that State and Federal requirements are met. Good internal control also requires procedures to ensure that grant applications are accurate, and amounts awarded are adequately supported.

Condition: The Agency did not have adequate procedures to ensure that grant applications were accurate, or funds paid to child care providers were spent properly.

Repeat Finding: No

Questioned Costs: $32,000 known

Statistical Sample: No

Context: Section 2201 of the American Rescue Plan Act (ARPA) of 2021 provided Federal funding to increase provider rates and workforce compensation so that child care providers can retain a skilled workforce and deliver higher-quality care to children receiving subsidies. Secondarily, states were to implement policies to build the supply of child care in low-income communities and underserved populations.

The Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act (Public Law 116-260), signed into law on December 27, 2020, provides states with supplemental child care funds to address the immediate needs of families struggling to pay for child care and child care providers facing financial uncertainty due to the COVID-19 pandemic, including supporting the stability of the child care sector.

The Agency entered into an emergency contract on September 7, 2022, with a contractor to manage applications, program requirements, and distribution of over $60 million in ARPA and CRRSA funds for three grants defined by the Agency. These grants were:

1. Business and Child Care Partnership Grants (BCC) to increase child care capacity throughout the State of Nebraska. This funding would help individuals, businesses, and organizations create new child care programs and enable existing licensed child care programs to increase their license capacity.

2. Workforce Recognition Retention Stipend Grants (WRRS) to support and recognize Nebraska's child care workforce quickly and efficiently and to help workers improve their financial well-being and, more broadly, shape the future of child care and early education in the state by incentivizing workers to stay in the field.

3. Loan Repayment and Debt Reduction Grants (LRDR) to increase economic stability for child care providers with student loans by decreasing their debt burden and to help workers improve their financial well-being and, more broadly, shape the future of child care and early education in the state by incentivizing workers to stay in the field.

We tested a total of 33 grants paid and noted the following:

BCC

We tested 13 of 125 BCC grants. Total BCC grants paid to recipients in the fiscal year totaled $23,303,985. Individual grants ranged from $4,611 to $1,506,362 with 11 applicants receiving over $500,000 each. Payments were made to grant recipients beginning in March 2023; however, recipients had until July 2023 to spend the funds. This deadline was then extended to December 31, 2023.

We noted 7 of 17 locations (among the 13 recipients tested) had increased license capacity as of testing on October 12, 2023. However, there was no support that the other locations had increased license capacity. The remaining recipients would have until December 31, 2023, to increase capacity, which was after our audit period. The Agency indicated staff would review licensing requirements after December.

The Agency's contractor requested support from 10% of the grantees, reviewing 20 grantees and $2,916,561 of expenditures. The Agency did not have procedures to perform any further sampling of the remaining 105 grants or over $20 million in expenditures to ensure expenditures were in accordance with the purpose of the Federal grants.

We tested 13 grants to determine that the purpose was to increase child care capacity, and the recipient was eligible; however, as the recipient had until December 31, 2023, to spend the funds, we were unable to determine if all funds were spent in accordance with Federal and State requirements. According to the Agency, if any recipients have not spent funds fully by December 31, 2023, staff will inform them and direct the unspent funds to be returned to the State.

WRRS and LRDR

We tested 10 of 5,148 WRRS grants and 10 of 744 LRDR grants. Total WRRS grants paid to recipients in the fiscal year totaled $23,477,750. Individual grants ranged from $2,500 to $7,250. Total LRDR grants paid to recipients in the fiscal year totaled $12,377,871. Individual grants ranged from $592 to $30,000.

The Agency created a grant funding formula based on various factors for the WRRS and LRDR grants. We noted that documentation was inadequate to support the grant amount.

- For 11 applicants, the Agency was unable to provide documentation to support that it verified what was reported on the grantee's application. Grantees received additional funds over the base grant if they reported meeting certain criteria.

- Seven applicants received an additional $1,000 on top of the WRRS Base grant for being a teacher or teacher's assistant.

- Four applicants received an additional $5,000 in student loan reduction (i.e., the LRDR grant) for being a teacher or teacher's assistant.

- One of the four applicants also received an additional $5,000 in student loan reduction (i.e., the LRDR grant) for having her master's degree in a field related to child care. The support provided showed that she had yet to complete the process of obtaining her degree; in fact, no classes were completed after 2012.

Federal payment errors noted for the sample tested were $32,000 ($7,000 WRRS; $25,000 LRDR). The total sample tested for WRRS was $44,250, and the total WRRS grant payments for the fiscal year were $23,477,750. The WRRS dollar error rate for the sample was 15.82% ($7,000/$44,250), which estimates the potential dollars at risk for fiscal year 2023 to be $3,714,180 (dollar rate multiplied by the population).

The total sample tested for LRDR was $195,673, and the total LRDR grant payments for the fiscal year were $12,357,871. The LRDR dollar error rate for the sample was 12.78% ($25,000/$195,673), which estimates the potential dollars at risk for fiscal year 2023 to be $1,579,336 (dollar rate multiplied by the population).

Cause: Inadequate procedures to ensure applications were accurate.

Effect: A lack of adequate supporting documentation increases the risk of payments not being in accordance with State and Federal requirements, leading to a loss of Federal funds.

Recommendation: We recommend the Agency implement procedures to ensure payments are allowable, adequately supported, and in accordance with State and Federal regulations.

Management Response: The Agency agrees.

Finding 2023-047

Program: AL 93.658 – Foster Care Title IV-E – Reporting

Grant Number & Year: 2201NEFOST, FFY 2022; 2301NEFOST, FFY 2023

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

Criteria: A good internal control plan requires procedures to ensure that reports are accurate and complete and reconcile to the accounting system.

45 CFR § 75.302 (October 1, 2022) states, in part, the following:

(a) Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non- Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. See also §75.450.

(b) The financial management system of each non-Federal entity must provide for . . . (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements . . . .

Per 45 CFR § 1356.60(a) (October 1, 2022), Federal matching funds for foster care maintenance payments are available at the Federal medical assistance percentage. Per 45 CFR § 1356.60(c), Federal financial participation is 50% for administrative expenditures.

Condition: The Agency lacked adequate procedures to ensure the accuracy of Federal Financial Reports (FFRs).

Repeat Finding: No

Questioned Costs: Unknown

Statistical Sample: No

Context: We tested the FFRs for the quarters ended September 2022 and March 2023 and noted the following:

- Part I, Line 1a, Maintenance Payments – Foster Family Home, current quarter claims for the September 2022 report included $4,765,533 related to prior-period administration expenses that should have been reported as a prior-period adjustment. The total maintenance on Line 1a was overstated by $4,765,533, and administration adjustments were understated by that amount. As maintenance is matched at 64% and administration at 50%, the total Federal share was overreported by $667,175.

- The supporting worksheets for the March 2023 report contained a clerical error. As a result, administrative costs were understated by $16,904, with the Federal share understated by $8,452.

Cause: Clerical errors and inadequate review.

Effect: Increased risk for errors and non-compliance with Federal requirements.

Recommendation: We recommend the Agency implement procedures to ensure that Federal reports are accurate and reconcile to the accounting system.

Management Response: The Agency agrees

<u>Finding 2023-048</u>

Program: AL 93.658 – Foster Care Title IV-E; AL 93.658 – COVID-19 Foster Care Title IV-E – Allowability

Grant Number & Year: 2301NEFOST, FFY 2023

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

Criteria: Per 45 CFR § 75.403 (October 1, 2022), costs must be necessary, reasonable, and adequately documented.

Per 45 § CFR 75.303(a) (October 1, 2022), the Agency must do the following:

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

45 CFR § 75.302(a) (October 1, 2022) states 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.*

Title 392 NAC 4-002. (*Eff. 9/15/2020*) states, in relevant part, "Before furnishing any service, each provider must sign an enrollment form agreeing: (A) No payments will be made for child care provided to a child before the service authorization date; (B) To provide service only as authorized, in accordance with the Department's standards;" and "(G) To retain authorizations, billing documents, and attendance records for four years to support and document all claims[.]"

The Child Care Provider Handbook (Handbook), dated January 2008, states, in relevant part, "You must complete the Attendance Calendar to accurately reflect the dates on which child care services were provided as well as the exact number of hours of service provided. For each day, partial hours of service provided should be rounded up to the next quarter hour[.]"

Condition: The Agency did not have adequate documentation on file to support Foster Care payments for childcare services.

Repeat Finding: No

Questioned Costs: $577 known (2301NEFOST, $521; 2301NEFOST-COVID-19, $56)

Statistical Sample: No

Context: For 1 of 25 claims tested, the Agency was unable to obtain the childcare attendance calendar from the provider. With no attendance calendar, we were unable to verify that the payment amount was accurate, resulting in questioned costs of $577.

Federal payment errors noted in the sample were $577. The Federal sample tested was $13,527, and the total Federal Foster Care maintenance payments during the fiscal year were $5,401,586. Based on the sample tested, the case error rate was 4% (1/25). The dollar error rate was 4.27% ($577/$13,527), which estimates the potential dollars at risk for fiscal year 2023 to be $230,648 (dollar rate multiplied by population).

Cause: Employee oversight; inadequate procedures to ensure documentation was on file.

Effect: When adequate support is not on file, there is an increased risk of both non-compliance with State and Federal requirements and improper payments.

Recommendation: We recommend the Agency implement procedures to ensure the maintenance of adequate documentation for supporting that expenditures are allowable and proper in accordance with State and Federal regulations.

Management Response: The Agency agrees

Finding 2023-049

Program: AL 93.659 – Adoption Assistance – Reporting

Grant Number & Year: 2201NEADPT, FFY 2022; 2301NEADPT, FFY 2023

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

Criteria: A good internal control plan requires procedures to ensure that reports are accurate and complete and reconcile to the accounting system. EnterpriseOne is the official accounting system of the State.

45 CFR § 75.302 (October 1, 2022) states, in part, the following:

(a) Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non- Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. See also §75.450.

(b) The financial management system of each non-Federal entity must provide for… (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements…

Per Instructions for Completion of Form CB – 496 Part 4:

Line 9. Prior Reported FFYs - Total Cumulative Expenditure of Calculated Adoption Savings (Line 1 Amount) – This line includes the cumulative total of calculated adoption savings that were expended and reported on Form CB-496 Part 4 in those Part 4 reporting periods consisting of all prior FFYs. An entry is made only in Column B since this line does not contain any amounts sourced from the current FFY. The entry must be taken directly from the amount reported on the CB-496 Part 4 for the immediately prior FFY on line 14, Column C.

Title IV-E agencies are required to enter into an adoption assistance agreement with the prospective adoptive parents of any child who meets specified criteria by applying differing, and less restrictive, program eligibility criteria. This results in some number of children who, under previously applied program eligibility criteria, would not have been determined as Title IV-E eligible, but who will now be determined as Title IV-E eligible for adoption assistance. Each Title IV-E agency is required to calculate and spend an amount equal to any savings in Title IV-E agency expenditures as a result of applying the differing program eligibility criteria for a Federal fiscal year (FFY) for services permitted under Title IV-B or IV-E. These non-Federal funds are referred to as "adoption savings." The State is required to spend an amount equal to any adoption savings in State expenditures for a fiscal year for any services that may be provided under Title IV-B or IV-E.

Per 42 U.S. Code § 673(a)(8)(D)(ii) "Any State spending required under clause (i) shall be used to supplement, and not supplant, any Federal or non-Federal funds used to provide any service under part B or this part."

Condition: The Agency lacked adequate procedures for ensuring the accuracy of Federal Financial Reports (FFRs).

Repeat Finding: No

Questioned Costs: Unknown

Statistical Sample: No

Context: We tested the FFRs for the quarters ended December 2022 and March 2023 and noted the following:

- For both reports tested, Line 20, Adoption Assistance Payments, was incorrect. The Line 20 total for December was understated by $679,601, and the Federal share was understated by $435,420. The Line 20 total for March was understated by $643,861, and the Federal share was understated by $412,522.

  This was due to reducing expenditures for the Federal debit side of a journal entry but including the General Fund credit side. Both sides of journal entries should be considered. We reviewed the September 2022 and June 2023 reports for this issue and noted similar errors with the Federal share being understated by $417,414 and $41,971 respectively.

- For both reports tested, the Federal and State shares of expenditures reported did not agree to the EnterpriseOne accounting system. For December, the Agency did not include all allowable General Fund expenditures. For March, the Agency performed a journal entry that moved $1 million from Federal funds to State General funds. This entry was meant to be temporary but was not reversed. As a result, the Federal Share reported was $1 million more than the accounting system, and the State Share reported was $1 million less than the accounting system.

- A reconciliation of the reports to the accounting system was not done each quarter. The Agency indicated its intention to do a reconciliation annually; however, due to staff turnover, it was not performed. As of the date of fieldwork, November 29, 2023, the reconciliation had not been completed.

We also tested Part 4 of the September 2022 report for the Annual Adoption Savings Calculation and Accounting Report.

- Line 9b, Cumulative Calculated Adoption Savings, was reported as $25,184,469 but should have been reported as $28,490,558 to agree with Line 14c of the previous report.

- Line 12a, Expenditures of Adoption Savings on Other Title IV-B or IV-E Allowable Services, reported $868,963, but these expenditures should not have been included. These expenditures were paid with Federal funds and State matching funds and, therefore, are not allowable uses of Adoption Savings.

- Line 11a, Expenditures for Children at Risk of Foster Care, was reported as $962,268 but was overstated by $134,722 due to including expenditures paid with Federal funds.

Cause: Inadequate review and staff turnover.

Effect: Increased risk for errors and non-compliance with Federal requirements.

Recommendation: We recommend the Agency implement procedures to ensure Federal reports are accurate and reconcile to the accounting system.

Management Response: The Agency agrees

Finding 2023-050

Program: AL 93.778 – Medical Assistance Program; AL 93.778 – COVID-19 Medical Assistance Program - Allowability

Grant Number & Year: 2305NE5MAP, FFY 2023; 2205NE5MAP, FFY 2022

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

Criteria: Per 45 CFR § 75.302(a) (October 1, 2022), "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." Per 45 CFR § 75.403 (October 1, 2022), costs must be necessary, reasonable, and adequately documented.

Title 471 NAC 15-003.02(H) requires that the provider perform the personal assistance services noted on the service plan, accurately documenting services provided in the Electronic Visit Verification (EVV) system and confirming that services were received as authorized according to Agency procedures.

Title 471 NAC 15-005.02(A) states, "Providers cannot provide services to more than one client at a time." That same regulation says also, "Medicaid will not pay for services that were not performed during the actual hours noted by the provider in the Electronic Visit Verification (EVV) system."

A good internal control plan requires procedures to ensure that services provided agree to the service needs assessment.

Section 1903(l)(5)(A) of the Social Security Act states the following:

The term "electronic visit verification system" means, with respect to personal care services or home health care services, a system under which visits conducted as part of such services are electronically verified with respect to –

(i) the type of service performed;
(ii) the individual receiving the service;
(iii) the date of the service;
(iv) the location of service delivery;
(v) the individual providing the service; and
(vi) the time the service begins and ends.

Public Law 114-255, § 12006 (December 13, 2016) ("21st Century Cures Act") provides, as is relevant, the following:

(a) Section 1903 of the Social Security Act (42 U.S.C. 1396b) is amended by inserting after subsection (k) the following new subsection:

‘‘(l)(1) Subject to paragraphs (3) and (4), with respect to any amount expended for personal care services or home health care services requiring an in-home visit by a provider that are provided under a State plan under this title (or under a waiver of the plan) and furnished in a calendar quarter beginning on or after January 1, 2019 (or, in the case of home health care services, on or after January 1, 2023), unless a State requires the use of an electronic visit verification system for such services furnished in such quarter under the plan or such waiver, the Federal medical assistance percentage shall be reduced—

‘‘(A) in the case of personal care services—
‘‘(i) for calendar quarters in 2019 and 2020, by .25 percentage points;
‘‘(ii) for calendar quarters in 2021, by .5 percentage points;
‘‘(iii) for calendar quarters in 2022, by .75 percentage points; and
‘‘(iv) for calendar quarters in 2023 and each year thereafter, by 1 percentage point[.]

42 CFR § 440.167(a)(2) (October 1, 2022) states, in part, that personal care services are those provided “by an individual who is qualified to provide such services and who is not a member of the individual's family[.]” 42 CFR § 440.167(b) adds, “For purposes of this section, *family member* means a legally responsible relative.”

Neb. Rev. Stat. § 28-512 (Reissue 2016) creates the offense of “theft by deception.” That statute says the following, in relevant part:

A person commits theft if he obtains property of another by deception. A person deceives if he intentionally:

(1) Creates or reinforces a false impression, including false impressions as to law, value, intention, or other state of mind; but deception as to a person's intention to perform a promise shall not be inferred from the fact alone that he did not subsequently perform the promise; or

(2) Prevents another from acquiring information which would affect his judgment of a transaction; or

(3) Fails to correct a false impression which the deceiver previously created or reinforced, or which the deceiver knows to be influencing another to whom he stands in a fiduciary or confidential relationship[.]

Further, Neb. Rev. Stat. § 28-911 (Reissue 2016) prohibits “abuse of public records,” as follows:

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

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

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

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

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

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

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

Condition: During testing of personal assistance service (PAS) claims, we noted the following:

- Personal assistance services appeared to be claimed at the same time that the provider was working at another job or at other activities, resulting in apparent fraudulent billings and payments.

- Services provided lacked adequate supporting documentation. This included providers being able to submit claims without verifying the location where those services were provided.

- Services billed exceeded the number of hours authorized under the service needs assessments.

- Providers billed for unreasonable amounts of time – including, among other things, for more daily hours than are in a 24-hour period and for unfeasible scenarios, such as the supposed performance of a week's worth of duties for one client in only three days.

- Providers received overtime pay for unauthorized services, meaning that they were compensated at an increased rate for services ineligible for payment in the first place.

- Client guardians or parents were paid for providing services, which violates governing regulations prohibiting such arrangements.

A similar finding has been noted in prior audits since 2014.

Repeat Finding: 2022-039

Questioned Costs: $53,758 known

Grant	Questioned Costs (Federal Share)
2205NE5MAP	$ 8,068
2205NE5MAP COVID - 19	$ 865
2305NE5MAP	$ 40,496
2305NE5MAP COVID - 19	$ 4,329

Statistical Sample: No

Context: The Agency offers PAS (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). The Agency implemented an EVV system for PAS providers on January 3, 2021, as required by Section 12006(a) of the 21st Century Cures Act, passed by Congress in 2016. The EVV system electronically captures and verifies provider visit information, and providers were required to submit claims to the Agency electronically through this application.

We initially selected five provider payments for testing – and, from those, one week of services submitted through the EVV system. A week of service billed by the provider may include multiple claims and clients. Due to the numerous issues identified with the billings, we expanded testing and randomly selected an additional five provider payments for testing, and one week of services. We noted issues with 9 of 10 providers tested.

In addition to the billing issues identified for the weeks tested, we also noted that three of these providers had outside employment or participated in activities that conflicted with the PAS hours billed. We obtained more documentation for additional weeks. Based on the documentation obtained, we identified $14,397 in potentially fraudulent payments made to the providers during fiscal year 2023.

	Potentially Fraudulent Provider Payments				***Other Questioned Costs***	
Provider #	**Federal Share**	**State Share**	**Total**		**Federal Share**	**State Share**
1	$ 7,571	$ 4,247	$ 11,818		$ 3,604	$ 1,660
2	$ 1,017	$ 570	$ 1,587		$ 6,671	$ 3,741
3	$ 636	$ 356	$ 992		$ 880	$ 494
4					$ 1,026	$ 414
5					$ 32,083	$ 18,005
6 thru 9					$ 270	$ 148
Totals	**$ 9,224**	**$ 5,173**	**$ 14,397**		**$ 44,534**	**$ 24,462**

In addition to the potentially fraudulent payments related to hours claimed while at another job or activity, we noted $44,534 in Federal payment errors related to other issues, for total Federal questioned costs of $53,758. The Federal share of payments tested totaled $81,926. The total Federal share of PAS claims for the fiscal year was $5,416,039, and the State share was $3,814,632. Federal payment errors noted in the random sample totaled $268. The total Federal sample tested for the random sample was $979. The total dollar error rate was 27.37%, which estimates the potential dollars at risk for fiscal year 2023 to be $1,482,370 (dollar rate multiplied by the population).

The following details issues with each provider.

Provider #1
This provider was authorized a total of 87.25 hours of service per week for three different clients. For the week tested, the provider manually created the claims for payment and did not use the EVV system to create a visit form; therefore, the claims did not capture client signatures or verify the location of the visit through the Global Positioning System (GPS). Likewise, there was no listing of the activities performed to ensure compliance with the SNA. We requested the claim detail for a second week of services and, again, the provider manually created the claims and did not enter a visit in the EVV system. Consequently, we questioned all of the claims selected for testing. We noted further that the provider exceeded the SNA by 12 hours and billed 24.5 hours of service on one day, which is impossible. We reviewed three additional weeks of claims and noted also that the provider exceeded the SNA by .25 to 2 hours each week, resulting in additional questioned costs.

Most concerning was the fact that the provider worked two additional jobs during the time that she billed for personal assistance services. The provider worked as a dental hygienist and as a pharmacy technician. The provider billed personal assistance services beginning at 6:00 a.m. every day until at least 5:30 p.m. The dental office with which the provider was employed was open only from 8:00 a.m. to 5:00 p.m., Monday through Friday. During the week of February 5, 2023, the provider claimed 87 hours for PAS, of which 43.75 hours were claimed to have been provided between 8:00 a.m. and 5:00 p.m., Monday through Friday. As the provider did not use the EVV, it is unknown where she was at the times the services were claimed; however, considering the provider's other employment, it is possible that fraud may have occurred.

We obtained the pharmacy technician employment records for the provider and compared the PAS billings to those records from July 2022 through January 2023. We identified 101 days during which PAS hours billed overlapped with times that the provider was working as a pharmacy technician. In determining these overlapped hours, we did not factor in any travel time that may have occurred between client homes and the provider's place of employment; therefore, the possibility of additional fraudulent payments exists.

The provider billed 1,200 hours of personal assistance services during this time period, and more than half of these hours could not have been provided. We questioned 770 hours as potential fraud, totaling $8,678. We also noted that the provider did not complete all of the PAS visits through a device using GPS; therefore, additional questioned costs resulted from not using the GPS verification method.

Given that many of the visits completed with GPS verification overlapped with the times that the provider was working at the pharmacy, another individual appears to have aided the provider in falsely claiming that personal assistance services were provided.

The employment records for the provider included the exact time punched in and out for the shifts worked. Below are a few examples of the hours billed by the provider and the hours the provider worked at the pharmacy. Clients 1 and 2 live at the same residence, and Client 3 is the provider's mother.

Pharmacy Time Record			EVV Visit Form and Claim Documentation				
Date	Start Time	End Time	Client	Start Time	End Time	Hours Billed	Verification Method
7/24/2022	10:04am	6:06pm	1	5:59:22am	10:02:39am	8	GPS
			2	10:05am	2:05pm	8.25	Manual Claim
			3	2:10pm	7:55pm	5.75	Manual Claim
11/14/2022	8:58am	7:32pm	1	6:00am	10:00am	4	Manual Claim
			2	10:05am	2:05pm	4	Manual Claim
			3	2:09:13pm	7:01:31pm	4.75	GPS
1/3/2023	8:59am	6:54pm	1	6:00am	10:00am	4	Manual Claim
			2	10:05am	2:05pm	4	Manual Claim
			3	2:09:19pm	6:55:57pm	4.75	GPS

In addition to the apparent fraudulent hours billed, the provider received overtime pay for the weeks reviewed. Providers are paid at time and one-half for services in excess of 40 hours each week. The provider evidently received overtime pay, in part, due to the apparent fraudulent billing. The provider was paid overtime for 21 weeks from July 2022 through December 2022. This resulted in additional questioned costs of $3,140 for potential fraud. Federal questioned costs not related to other employment totaled $3,604.

Provider #2
This provider was authorized a total of 116.75 hours of service per week for four different clients. For the week tested of December 18, 2022, through December 24, 2022, the provider billed 121.25 hours of service. This provider manually completed visits; consequently, there was no location verification, and no client signatures were captured. Therefore, we questioned the claims for the week tested. We also identified other issues for the week tested. We noted the provider billed a total of 32 hours of service for the four clients on December 22, 2022, which is impossible. Also, for one client, the visit forms for this day supported only 2.75 hours, but the provider billed 20 hours for the client. The provider also exceeded the service authorization by 75 quarterly units or 18.75 hours for the week.

Due to the issues noted, we reviewed additional weeks and claims of service. This resulted in more questioned costs for the provider exceeding the SNA. The provider exceeded the SNA for 8 of the 15 weeks reviewed, ranging from .25 to 11.5 hours overbilled.

Per documentation in the case file, the provider was involved in a court case pertaining to her own child. On December 2, 2022, a law enforcement raid was conducted at the provider's home, which revealed Fentanyl and firearms. The provider was not present at the time and, when contacted later, claimed to be on vacation; however, the provider billed for 14.5 hours of services that day. Despite appearing in court on December 20, 2022, at 11:30 a.m., the provider billed for client services that same day from 10:15 a.m. to 1:30 p.m. Based on these discrepancies, we requested the EVV records for the remaining days billed in December 2022. None of the additional visit forms were completed through a device using GPS to track the location, and no signatures were obtained; therefore, we questioned these claims.

The case file also included documentation of supervised visits that occurred between the provider and the provider's child at the provider's home. Reviewing the EVV records for the days that the visits occurred, we noted that the times the provider billed for PAS services overlapped with the times of these supervised visits. The provider could not have provided the majority of PAS services billed on these days. Again, the visit forms did not contain verification of the location where the services were provided. We questioned the hours billed for each of these days.

	Personal Assistance Hours		Supervised Visit Hours	
Day	**Start Time**	**End Time**	**Start Time**	**End Time**
1/7/2023	8:30am	1:45pm	9:00am	1:07pm
1/10/2023	3:30pm	8:15pm	5:30pm	7:30pm
1/17/2023	3:00pm	6:00pm	4:00pm	6:02pm
1/24/2023	12:45pm	8:15pm	4:00pm	7:00pm
1/31/2023	2:45pm	8:00pm	3:30pm	5:34pm
2/7/2023	2:45pm	8:00pm	3:45pm	5:48pm
2/14/2023	2:45pm	8:00pm	4:00pm	6:01pm

Lastly, the provider had other employment as a medical assistant and a student bus driver. It is likely that the hours of other employment conflicted with the PAS hours billed. We requested the provider's employment records for July 2022 through December 2022. While comparing the employment records to the days and hours billed for PAS services, we identified 40 days from June 27, 2022, through November 16, 2022, during which hours worked overlapped with times billed for PAS services. We questioned any PAS hours billed that overlapped with the provider's employment hours as potential fraud.

In determining these overlapped hours, we did not factor in any travel time that may have occurred between client homes and the provider's place of employment; therefore, the possibility of additional fraudulent payments exists. We also noted the provider did not complete the PAS visits through a device using GPS; therefore, any times billed on these 40 days were also questioned for inadequate documentation. Apparent fraudulent PAS hours billed totaled $1,383. Overlapping times ranged from 1.25 hours to 5.25 hours per day.

The table below contains a few examples of overlapping hours billed by the provider:

Bus Driver Time Record			EVV Visit Form and Claim Documentation			
Date	**Start Time**	**End Time**	**Client**	**Start Time**	**End Time**	**Hours Billed**
9/19/2022	6:30am	8:45am	1	6:15am	7:00am	.75
			2	7:10am	8:10am	1
	2:50pm	7:14pm	3	1:45pm	4:30pm	2.75
			2	4:45pm	6:30pm	1.75
11/3/2022	6:00am	8:00am	1	6:15am	7:00am	.75
			2	7:15am	8:15pm	1
	1:45pm	6:05pm	1	1:45pm	2:45pm	1
			4	3:00pm	5:00pm	2
			2	5:15pm	6:00pm	.75

In addition to the apparent fraudulent overlapped hours, the provider was paid for overtime for the weeks reviewed. The provider received overtime, in part, due to the apparent fraudulent billing. All overtime hours paid during fiscal year 2023 were questioned, either due to the fraudulent hours billed for the week, or for inadequate documentation for not using the GPS verification method. This resulted in additional questioned costs of $204 for potential fraud. Federal questioned costs not related to employment issues totaled $6,671.

Provider #3
This provider was authorized a total of 97.5 hours of service per week for four clients. For the week initially tested, six visit forms were entered through a personal computer, so there was no location verification and no client signature. Five of these visits occurred in the evening, from 7:00 p.m. to 10:15 p.m., for 3.25 hours. The provider incorrectly billed 4 hours for one of these visits. The visits with no location verification were questioned. We also noted mileage variances on the visit forms entered through a mobile device when GPS tracking was utilized. There were two visits with a 20-mile variance from the location of the client and where the provider apparently ended the visit. There are unknown questioned costs for these mileage variances.

The service authorizations for each of the clients included some services to be performed every day of the week; however, only two of the four clients were billed daily for services. For example, if a client was authorized for a bath seven times per week, but the provider performed the service on only three days, we considered the hours charged for four baths to be overbilled. We reviewed additional weeks during the fiscal year, and there were additional questioned costs based on the frequency of the task authorized.

This provider also received overtime pay for several of the weeks reviewed. Therefore, the provider was not only overpaid due to billing for tasks that were not provided as authorized but also received overtime pay based upon some of those overbillings, resulting in additional questioned costs. Federal questioned costs for issues not related to other employment and activities totaled $880.

The provider was also receiving wages from a home health care company during fiscal year 2023. Based on the wages earned there, the provider appears to have been working full-time, and hours claimed for PAS likely overlapped with hours worked at the home health care company.

We requested the provider's employment records from the home health care company, and the employer responded that the provider was a salaried employee and did not have a set schedule. The provider also stated that a timesheet was not kept.

We performed a social media search and found several posts on Facebook that depicted the provider being out of-state on several weekends during fiscal year 2023. We compared those apparent out-of-state dates to the dates of billed services. The provider billed at least nine days that conflicted with these trips outside of Nebraska. The provider billed 94.25 hours during these days, resulting in potential fraud of $992.

Four of the nine days billed did not use the GPS verification method for any of the clients. Based on the Facebook posts, however, the provider was attending an event in Indianapolis, Indiana, on March 11 and 12, 2023, but billed 8.25 hours of services for each of these days. On March 31, 2023, the provider billed 15.75 hours; however, she appeared to be in Arizona. No GPS verification was used on June 6, 2023, and the provider billed 10.75 hours, but appeared to be in Arizona. For the remaining five days, the hours billed did not agree to the times logged through GPS. Additionally, times overlapped between services, and travel time between client homes was unreasonable, or part of the hours billed did not use the GPS verification method. For those visit forms that indicated GPS verification was used, another individual may have entered information into the verification system.

The table below contains examples of some of the discrepancies noted:

Client	Day	Start Time	End Time	Hours Billed	Verification Method	Description
1	5/20/2023	11:00:49am	11:00:52am	5	GPS	Only 3 seconds were logged for Client 1, and the provider appeared to be in Dallas, Texas, on this day.
2	5/20/2023	11:35am	2:50pm	3.25	Personal Computer	
4	6/2/2023	7:00pm	10:15pm	3.25	Personal Computer	The provider appeared to be in Phoenix, Arizona.
1	6/3/2023	11:03:08am	11:03:11am	5	GPS	Only 3 seconds were logged for Client 1.
2	6/4/2023	11:35am	2:50pm	3.25	Personal Computer	The provider appeared to be in Phoenix, Arizona.
3	6/5/2023	11:19am	3:30pm	4.25	GPS	The provider appeared to be in Arizona. There is only one minute between services logged for Clients 3 and 2, and there is overlapping time between Clients 2 and 4.
2	6/5/2023	3:31pm	7:41pm	3.25	GPS	
4	6/5/2023	7:00pm	10:15pm	3.25	Personal Computer	

Provider #4
The Agency authorized this provider to provide 118 hours of service per week (approximately 40 hours for each of 3 clients). It is not reasonable to authorize this many hours of service for one provider, as it would take over 17 hours every day of the week in order to perform all the tasks noted on the SNA. For the week tested, the provider billed 454 quarterly units or 113.5 hours. This included billing 9.5 hours on November 18, 2022, from 7:10 p.m. to 12:04 a.m., even though this is only 5 hours, and then an additional 23.75 hours on November 19, 2022, from 12:06 a.m. to 11:57 p.m.

Each SNA of these clients included some services to be performed every day of the week. The provider billed for tasks authorized for seven days per week but did not provide services on each of those seven days for all clients. For example, if a client was authorized for a bath seven times for the week, but the provider performed services on only three days, we considered the hours charged for four baths to be overbilled. We reviewed an additional two weeks of services and found more errors for not following the SNA. There were $757 Federal questioned costs for not following the SNA. It should be noted that only these three weeks were reviewed, so there may be additional questioned costs for other weeks based on the frequency of the task authorized.

Weeks of 11/13/22 - 12/3/2022				
Client	**# of Days Billed**	**Total Hours Billed**	**Hours Allowed Based on Frequency**	**Hours Overbilled**
1	12	106.5	73.25	33.25
2	13	112.25	81	31.25
3	15	113.5	87.25	26.25
	Totals	**332.25**	**241.5**	**90.75**

The provider also received overtime pay for these three weeks. In addition to being overpaid due to billing for tasks that were not provided as authorized, the provider received overtime pay for this overbilling, resulting in an additional $269 in Federal questioned costs. Providers are paid at time and one-half for services in excess of 40 hours each week. Per the Agency, a claims overtime team reviews the service authorizations to ensure they are not exceeded. For the three weeks reviewed alone, the provider was paid for 60.82, 73.86 and 61.65 hours of overtime. This provider has had similar findings in prior audits since 2021, with no changes to the number of hours authorized by the Agency.

Provider #5
Per documentation provided from the EVV system for the week tested, the provider used a personal computer to clock in and out, so there was no GPS verification of the visit location. The visit forms noted that the provider was unable to clock in with a cell phone; however, the services were being provided at the provider's home. On April 14, 2023, the Agency notified the provider by letter that using a personal computer that did not have GPS to verify location was not compliant with either the Cures Act or Agency EVV guidelines. This letter gave the provider 90 days to achieve compliance. The Agency sent a second noncompliance letter to the provider on August 30, 2023, giving her an additional 30 days to comply. The claims tested are questioned due to the provider's failure to comply with Federal regulations.

We noted also that the provider was the parent and co-guardian of the two clients to whom services were provided. Per 42 CFR § 440.167, personal care services cannot be provided by a member of the individual's family. A family member is defined as "a legally responsible relative." As the co-guardian, the provider was a legally responsible relative of the clients and, therefore, not allowed to be paid for those services. Thus, all payments made during fiscal year 2023 are questioned. The Federal share was $32,083.

Provider #6
The provider used a device with GPS tracking to record her visits. Although the visit form supported only 3.75 hours of services, the provider billed 5 hours, resulting in Federal questioned costs of $9.

Provider #7
This provider was authorized for up to 107 quarterly hour units or up to 26.75 hours of PAS services per week. For the week tested, the provider used a personal computer to complete visits in the EVV system, resulting in the location not being verified through GPS tracking and no client signatures being obtained. Therefore, we question the claims, resulting in Federal questioned costs of $202. We also noted that the provider performed personal care services for two additional clients under the Aged and Disabled Waiver. One of these clients also lived with the client to whom PAS services were provided. Because the provider did not use a device with GPS tracking, it is possible that she could have provided services for these two clients during the same time, which is not allowable. For the week tested, the provider billed a total of 116 hours of service for all three clients. The provider also exceeded the authorization for the week tested by 1.25 hours.

We noted that the Agency sent a letter to the provider in April 2023 about the overbilling of 1.25 hours for the week tested; however, the accounts receivable was not established until September 30, 2023, after we inquired about the overbilling. The Agency also sent a letter to the provider on April 14, 2023, giving her 90 days to comply with the EVV regulations. No changes were made, so the Agency sent a second letter to the provider on August 30, 2023, giving the provider an additional 30 days to come into compliance. A third letter was sent on September 29, 2023, giving the provider an additional 30 days to comply. It is unreasonable to allow a provider who is not compliant with EVV regulations to continue billing for five months of services.

The provider was also paid for overtime hours for the week tested. The provider received $351 in Federal share overtime pay for 74.75 hours of overtime. The overtime was paid under the PAS program. However, only 26.75 hours were related to PAS, and 88 hours were billed under the Aged and Disabled (AD) Waiver; therefore, the overtime should have been charge under the AD Waiver. Per the Agency, the overtime was paid under the PAS program because the Federal share reimbursement is higher, which is not reasonable.

Provider #8
This provider was authorized for up to 164 quarterly hour units or up to 41 hours per week for two clients living in the same household. The provider exceeded the service authorization for both clients by .25 hours each, resulting in Federal questioned costs of $4. The service authorization for both clients included some services to be performed every day of the week; however, services performed were not reasonable based on the times the provider billed. For example, one client was authorized for reminding or coaxing to eat three times a day for seven days a week. The provider billed from 6:00 a.m. to 9:30 a.m. every day for this client. It is not reasonable that the client would be eating only in the morning. We allowed the hours charged for one meal. Additionally, both clients were authorized for the administration of medication three times a day for seven days; however, based on the time during which the provider was providing services, the administration of medication appears to have occurred only once per day. This resulted in additional Federal questioned costs of $51.

Provider #9
The provider used a device with GPS tracking to record her visits; however, the provider exceeded the SNA by two quarterly units or .5 hours for one client resulting in Federal questioned costs of $4.

Cause: Procedures were inadequate 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. There is a significant risk for fraud or abuse to occur and not be detected. State and Federal funds appear to have been misspent.

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 immediately discontinue paying claims that are not in accordance with EVV/GPS requirements. Additionally, because this comment gives rise to concerns regarding possible violations of State statute, we are forwarding the information herein to the Nebraska Attorney General for further review.

Management Response: The Agency agrees.

Finding 2023-051

Program: AL 93.778 – Medical Assistance Program; AL 93.778 – COVID-19 Medical Assistance Program – Allowability & Eligibility

Grant Number & Year: 2205NE5MAP, FFY 2022; 2305NE5MAP, FFY 2023

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

Criteria: Per 45 CFR § 75.303 (October 1, 2022):

> *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) (October 1, 2022), "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 23-003.01:

> *The total equity value of available non-excluded resources of the client . . . is determined and compared with the established maximum for available resources 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.*

Per 477 NAC 23-003.10, the established maximum for available resources which a client may own and still be eligible is $4,000 for a one-member unit.

477 NAC 23-003.04(A) defines a "deprivation of resources" as follows:

> *Any action taken by the applicant or client, or any other person or entity, which reduces or eliminates the applicant's, client's, or spouse's recorded ownership or control of the asset for less than fair market value is a deprivation of resources. The fair market value of a resource at the time the resource was disposed of must be verified and the equity value of the resource must be determined by taking into consideration any encumbrances against the resource. . . .*

477 NAC 23-003.04(G) states the following, in relevant part: "To determine if a client or his or her spouse deprived himself or herself of a resource to qualify for Medicaid, the Department must look back 60 months before the month of application."

471 NAC 12-006 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).*

Title 42 CFR § 433.400(b) (October 1, 2022) states the following, in relevant part: "A beneficiary is not validly enrolled if the agency determines the eligibility was erroneously granted at the most recent determination . . . because of agency error or fraud . . . ."

42 CFR § 435.916(b) (October 1, 2022) requires the Agency to make a redetermination of eligibility in accordance with provisions of paragraph (a)(2) of that section, which states, "The agency must make a redetermination of eligibility without requiring information from the individual if able to do so based on reliable information contained in the individual's account or other more current information available to the agency, including but not limited to information accessed through any data bases accessed by the agency . . . ."

A good internal control plan requires procedures to ensure that income and resources are updated for changes timely, adequately documented, and verified.

Title 45 CFR § 75.511(a) (October 1, 2022) 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."

Condition: The Agency did not adequately verify the income and resources of individuals residing in long-term care facilities to ensure limits were not exceeded, and the individuals were eligible. Additionally, one nursing facility payment tested was paid prior to the preadmission screening and resident review being completed. The Summary Schedule of Prior Audit Findings state the corrective action is complete.

A similar finding was noted in the prior audit.

Repeat Finding: 2022-040

Questioned Costs: $20,153 known

Grant	Questioned Costs (Federal Share)
2205NE5MAP	$ 2,516
2205NE5MAP COVID-19	$ 270
2305NE5MAP	$ 15,687
2305NE5MAP COVID-19	$ 1,680

Statistical Sample: No

Context: We tested 25 long-term care facility payments and noted the following issues:

The budgets for two recipients used the wrong living arrangement, causing the share of cost to be understated.

- For one nursing home recipient, the Medicaid benefit was determined as if the recipient was living in an apartment or house. For the June 2022 budget, the recipient received an unearned income disregard of $20 and a standard of need of $392. The standard of need should have been $60 with no unearned income disregard. This resulted in questioned costs of $87. There were additional out-of-sample questioned costs for July 2022 through September 2022 benefits totaling $261.

- For another nursing home recipient, the September 2022 budget included an unearned income disregard of $20 and a $1,133 standard of need. The standard of need should have been $60 with no unearned income disregard. This resulted in questioned costs of $665. The Medicaid budgets used the incorrect living arrangement the entire fiscal year resulting in additional out-of-sample questioned costs of $7,313.

The countable resources for two recipients were not calculated correctly.

- For one recipient, the budget for February 2023 did not include the correct bank balances. There was a $2,000 transfer between two bank accounts the recipient owned that was not accounted for in the balances. If the $2,000 had been included, the recipient would have been over resources by $1,589, resulting in questioned costs of $1,018.

- Proper verification of life insurance policies was not obtained for one recipient. The worker approved the recipient for Medicaid prior to obtaining adequate documentation to support the amount of life insurance declared on the application. The worker initially received one policy statement that supported a portion of the premiums being withdrawn from the checking account and a portion of the declared policy value. After Medicaid was approved on February 8, 2022, verification was obtained on March 22, 2022, for two additional policies showing the countable value exceeded the $4,000 resource limit. The Agency did not close the Medicaid case, citing the continued enrollment requirement during the COVID-19 Public Health Emergency. However, per the DHHS COVID-19 FAQ document and Title 42 CFR § 433.400(b), if an individual was enrolled due to agency error, that individual was not validly enrolled, and the case should close. For the claim tested for May 2023 services, the recipient was over resources by $1,545. The entire claim is questioned, resulting in questioned costs of $4,045.

Additionally, for this recipient, the May 2023 budget included the railroad retirement amount for calendar year 2022. The Agency did not obtain verification of the amount for calendar year 2023. An increase in income would increase the share of cost and lower the amount paid by Medicaid.

For one recipient, the payment of seven days of nursing home care was made prior to the completion of the Level II preadmission screening and resident review (PASRR). The recipient entered the nursing facility on June 22, 2022, and the Level II PASRR was not completed until June 29, 2022. The days paid from June 22, 2022, through June 28, 2022, were not allowable, resulting in questioned costs of $532.

For one recipient who entered a nursing home in January 2023, the Agency did not complete the required five-year look back for potential deprivation of resources. According to documentation provided by the Agency, only two years were reviewed. The applications submitted in December 2022 and February 2023 for the recipient denied that any substantial property was sold in the last five years. However, information received from the Douglas County assessor website noted that the recipient sold a home for $144,000 in May 2018. Since the Agency did not review the required five years of bank balances, no information was obtained regarding the sale of the house and where any proceeds from the sale were deposited and how the funds were spent to ensure there was no deprivation of resources. The entire claim is questioned resulting in questioned costs of $6,232.

Federal payment errors noted in the sample were $12,579 and additional out-of-sample questioned costs of $7,574. The Federal sample tested was $118,651, and the total Federal long-term care facility expenditures during the fiscal year were $299,652,791. Based on the sample tested, the case error rate was 24% (6/25). The dollar error rate was 10.6% ($12,579/$118,651), which estimates the potential dollars at risk for fiscal year 2023 to be $31,763,196 (dollar error rate multiplied by population).

Cause: Worker error and inadequate review.

Effect: If income and resources are not adequately verified, there is an increased risk recipients will be inappropriately determined eligible for Medicaid or determined eligible with an incorrect share of cost.

Recommendation: We recommend the Agency implement procedures to ensure all resources are identified, verified, and adequately documented. We further recommend the Agency improve procedures to ensure adherence to State and Federal regulations.

Management Response: The Agency agrees.

Finding 2023-052

Program: AL 93.778 – Medical Assistance Program – Special Tests and Provisions

Grant Number & Year: All open, including 2305NE5MAP, FFY 2023

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

Criteria: Title 42 CFR § 447.253(b)(1)(i) (October 1, 2022) 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, 2022), "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.*

American Institute of Certified Public Accountants (AICPA) Professional Standards AU-C Section 520.07 states, "If analytical procedures performed in accordance with this section identify fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount, the auditor should investigate such differences by a. inquiring of management and obtaining appropriate audit evidence relevant to management's responses and b. performing other audit procedures as necessary in the circumstances."

AICPA Professional Standards AU-C Section 500 states that audit evidence obtained directly by the auditor is more reliable than audit evidence obtained indirectly or by inference, and using electronic information may require the auditor to perform additional audit procedures to establish reliability.

A good internal control plan requires desk audits to include testing a sample of expenses to supporting documentation.

Condition: Desk audit procedures could be improved. A similar finding was noted in the prior audit.

Repeat Finding: 2022-041

Questioned Costs: Unknown

Statistical Sample: No

Context: Agency procedures require a desk audit on each annual cost report provided by long-term care facilities that receive Medicaid funding and a field audit on facilities identified by the Agency as high risk.

The Agency contracted with an accounting firm to complete the desk audits of nearly all facilities in Nebraska and any necessary field audits. The contractor completed 16 field audits on cost reports from 2018 through 2021. As of June 30, 2023, the contractor had not yet completed the risk assessments for the 2022 cost reports or identified high-risk facilities for 2022.

We reviewed 20 desk audits and noted that limited procedures were performed. Costs were traced to the facilities' trial balance, but no underlying supporting documentation was obtained for significant costs, such as salaries, food, or supplies. In many of the desk audits, large increases in costs were attributed to the COVID-19 health emergency, without gaining any additional support to verify the higher costs.

The contractor did request verbal explanations for large variances; however, appropriate audit evidence was not requested to verify the explanations. For example, one facility had a 31% increase in "Other" costs for $608,641, which was explained as supply cost and engineering contract increases, while another facility had an increase of 451% or $1,328,713 in Purchase Services - Direct care, which was explained as due to a decrease in direct staff; however, direct staffing costs decreased only $603,499. In neither example did the contractor obtain any underlying invoices to determine if the increased costs for supplies and services were accurate, nor any documentation to support that the number of direct staff had decreased. Additionally, looking at variances alone would not support that expenses are accurate and not misstated from year to year. This is especially critical on the fiscal year 2022 cost reports, as these reports will be used to base rates for the next four years, starting with fiscal year 2024 rates.

The total Federal share of long-term care facility expenditures during fiscal year 2023 was over $299 million.

Cause: The contract does not require the accounting firm to obtain underlying support for expenses.

Effect: When facilities do not have adequate desk audits performed, there is an increased risk for submitted cost reports to contain errors or fraud.

Recommendation: We recommend the Agency ensure desk audits provide reasonable assurance that cost reports are accurate.

Management Response: The Agency agrees.

Finding 2023-053

Program: AL 93.778 – Medical Assistance Program; AL 93.767 – Children's Health Insurance Program (CHIP) – Special Tests and Provisions

Grant Number & Year: All open, including 2305NE5MAP, FFY 2023

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

Criteria: Per Title 42 CFR § 455.104(b)(4) (October 1, 2022), the State Medicaid Agency must require the disclosing entity provide the following disclosures:

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).

Per 42 CFR § 455.101 (October 1, 2022):

Managing employee means 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 the Medicaid Provider Enrollment Compendium (MPEC) (3/22/21) Section 1.4.1C:

There are not exceptions to the managing employee disclosure requirement. To the extent any individual meets the definition of "managing employee" under § 455.101, their information is required to be disclosed.

MPEC Section 1.4.1C states further the following:

However, if a non-profit entity has managing employees, to the extent these individuals meet the definition of "managing employee" under § 455.101; they would have to be disclosed as such. In addition, as discussed further below, entities, including non-profit entities, that are organized as corporations must provide disclosures regarding their officers and directors . . . . If a corporation has, for instance, a Director of Finance who is not a member of the board of directors, he/she would not need to be disclosed as a director/board member. However, as discussed in section C., below, to the extent he/she meets the definition of "managing employee" under § 455.101; he/she would have to be disclosed as a "managing employee."

Per 42 CFR § 455.436 (October 1, 2022), 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; and

(2) Check the LEIE and EPLS no less frequently than monthly.

45 CFR § 75.303 (October 1, 2022) 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."

Good internal control requires procedures to ensure that all required disclosures are provided.

Condition: Two of 25 providers tested did not include disclosure requirements for managing employees.

Repeat Finding: 2022-042

Questioned Costs: Unknown

Statistical Sample: No

Context: We tested screening and enrollment for 25 Medicaid/CHIP providers. We noted that two providers, both non-profit corporations, failed to disclose any managing employee. Therefore, no screenings for managing employees were performed for these two providers.

Cause: The Agency relies on each provider's disclosure to be complete, true, and accurate. The provider is allowed to complete the enrollment process even if an owner or managing employee is not disclosed.

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.

Management Response: The Agency agrees.

<u>Finding 2023-054</u>

Program: AL 93.778 – Medical Assistance Program – Special Tests and Provisions

Grant Number & Year: 2305NE5MAP, FFY 2023

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

Criteria: Per 42 CFR § 438.3(m) (October 1, 2022), "The contract must require MCOs [managed care organizations], PIHPs [prepaid inpatient health plans], and PAHPs [prepaid ambulatory health plans] to submit audited financial reports specific to the Medicaid contract on an annual basis. The audit must be conducted in accordance with generally accepted accounting principles and generally accepted auditing standards."

A good internal control plan requires policies and procedures to ensure that mandatory financial audits are completed in accordance with Federal regulations.

Condition: The Agency does not have adequate policies and procedures to ensure that required managed care financial audits are completed in accordance with Federal regulations. The MCO and PAHP audited financial reports for year ended December 31, 2022, were not conducted in accordance with generally accepted accounting principles (GAAP).

A similar finding was noted in the prior audit.

Repeat Finding: 2022-044

Questioned Costs: Unknown

Statistical Sample: No

Context: Nebraska Total Care, Inc., Community Care Health Plan of Nebraska, Inc., United Healthcare of the Midlands, Inc., and MCNA Insurance Company had audits performed in accordance with generally accepted auditing standards; however, the financial statements were not in accordance with GAAP. The financial statements for the MCOs were prepared using "accounting practices prescribed or permitted by the Nebraska Department of Insurance, which is a basis of accounting other than U.S. generally accepted accounting principles." The PAHP audit was prepared using "accounting practices prescribed or permitted by the Texas Department of Insurance . . . ." The Department of Insurance has adopted the Statement of Statutory Accounting Principles (SSAP) found in the National Association of Insurance Commissioners' (NAIC) manual.

Cause: The MCO and PAHP audited financial reports are completed for the Nebraska Department of Insurance, which does not require the audit to be conducted in accordance with GAAP. Amendments to the contracts have been drafted to incorporate GAAP requirements and should be in place prior to January 1, 2024.

Effect: When the financial audits completed by the MCOs and PAHP are not conducted according to GAAP, the Agency is not in compliance with Federal regulations, and there is an increased risk for fraud or errors.

Recommendation: We recommend the Agency require the MCO and PAHP financial audits to be conducted in accordance with GAAP.

Management Response: The Agency agrees.

Finding 2023-055

Program: AL 93.778 – Medical Assistance Program – Special Tests and Provisions

Grant Number & Year: All open, including 2305NE5MAP, FFY 2023

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

Criteria: Title 42 CFR § 455.1 (October 1, 2022) sets forth requirements for a State fraud detection and investigation program, including a method to verify whether services reimbursed by Medicaid were actually furnished to beneficiaries. The Agency's Program Integrity (PI) and Special Investigations Units (SIU) perform these functions.

Per 42 CFR § 455.14 (October 1, 2022):

> *If the agency receives a complaint of Medicaid fraud or abuse from any source or identifies any questionable practices, it must conduct a preliminary investigation to determine whether there is sufficient basis to warrant a full investigation.*

The Nebraska Medicaid State Plan, Section 4.5 (Medicaid Agency Fraud Detection and Investigation Program), states, "The Medicaid agency has established and will maintain methods, criteria and procedures that meet all requirements of 42 CFR 455.13 through 455.21 and 455.23 for prevention and control of program fraud and abuse."

Under Program Integrity's Policies and Procedures:

Preliminary Investigations

- *Preliminary investigations of **referrals** will be completed within 70 days of the opening of the case.*
- *Preliminary investigations of cases identified through **exception profiling** will be completed within 90 days of the opening of the case.*
- *Preliminary investigations of cases identified through **projects** will be completed within 120 days of the opening of the case. This includes cases that are sourced from another case.*

Full investigations

- *Each month, investigators will review their cases and use their professional judgment to determine the prioritization of their active cases. The following guidelines will be considered in this review:*
  - *The investigation of a provider for termination due to a finding on annual or monthly screening is a HIGH priority*
  - *Client health & safety influences the priority of a case*
  - *Definitive interpretation of regulations influences the priority of a case*
  - *Cases in the preliminary investigation phase are of a moderate priority*

A good internal control plan requires procedures to ensure cases are reviewed, adequately collected on, and appropriate dispositions are made in a timely manner.

Condition: Procedures should be improved to ensure cases are investigated timely, and steps taken are adequately documented.

Repeat Finding: 2022-045

Questioned Costs: Unknown

Statistical Sample: No

Context: Program Integrity (PI) is tasked with, among other things, investigating cases of potential provider fraud in the Medicaid Program. Cases received are delegated to investigators who track their activity notes and documentation in one central Investigative Case Management system (ICM). Substantial cases with a large amount of money that may be due back will be referred to the Attorney General's Medicaid Fraud and Patient Abuse Unit (MFPAU). In cases that are not referred and accepted by MFPAU, PI can sanction a provider, request a refund, provide education, and/or terminate the provider from the Medicaid Program.

The Special Investigations Unit (SIU) investigates allegations of suspected recipient fraud.

We tested 20 PI cases and 6 SIU cases and noted the following:

- One SIU case did not get assigned to an investigator when it was initially received. The original reporter mentioned both Medicaid and Medicare, so it was assumed that the case was for Medicare fraud. However, there was no support to show that any review was done to confirm Medicaid was not involved, nor any support to show that the case was referred to Medicare. Medicaid paid $8,824 in managed care capitation payments for the recipient during the fiscal year. After APA discussed this with SIU, a case was opened.

- Four PI cases did not have adequate and timely follow-ups once they were opened:

  - Based on a brief review, the Federal Bureau of Investigation (FBI) brought one case to the Nebraska Attorney General regarding a counseling office that may have been overbilling. The PI investigator declined to interview the source of the referral and reviewed only claim data to see if there was any obvious overbilling for one provider at the counseling office. No other investigative work was done. No documentation was requested from the provider to support the charges billed, such as time sheets to show when providers were working to agree to hours and dates billed.

  - One case was opened in June 2022 for a provider billing for Applied Behavioral Analysis (ABA) services and services for children under three years of age, when the provider did not have appropriately licensed practitioners for such services. The opening notes on the case indicated the investigator was going to educate the provider and request a refund; however, neither of those steps had been taken as of July 2023 because the investigator was waiting to see if the State legislature passed a bill related to ABA services. No real actions had occurred on the case for nearly seven months.

  - One case was referred to PI by a Managed Care Organization (MCO) for a provider potentially overbilling for Mental Health services and concerns of crossing boundaries with a patient. It was unclear if Medicaid claims were reviewed to see if the Provider was overbilling other MCOs. It was also unclear if the proper authorities, such as the Licensure Unit, were notified about the allegation for crossing boundaries with a patient, so a proper investigation could take place.

  - One case was opened in December 2022 regarding a provider billing for Personal Care and Companion Services that were allegedly not being rendered. The client reported to have text messages supporting that services were not provided. The investigator requested the text messages in February 2023, but no further follow up was completed on the case until we asked about it in August 2023. According to the program administrator, this case was not a high priority due to no risk of health and safety. Medicaid paid the provider $2,996,377 for claimed services in fiscal year 2023.

Additionally, we noted that PI was not following current policies and procedures for identifying potential fraud, waste, and abuse. Its policies and procedures indicated it would review the statewide SURS (surveillance and utilization review subsystem) report quarterly and "a minimum of three provider and three recipient cases will be opened from the SURS Ranking Reports." After December 2022, no cases were opened from the SURS report. The Agency confirmed this and stated, "One of the issues the Program Integrity Team has been facing for the past two years is vacant positions. With the number of staff decreased, focusing on cases based on allegations and NMEP removals was prioritized. Those are cases that had a greater concern for patient health and safety. . . . The procedures will be updated."

Cause: The Agency did not follow proper procedures, including supervisor reviews of cases, to ensure Medicaid cases were properly and timely worked. The Program is understaffed.

Effect: When potential fraud cases are not adequately and timely pursued, there is an increased risk for misuse of funds and potential harm to individuals receiving services.

Recommendation: We recommend the Agency strengthen procedures to ensure cases are properly and timely reviewed, and appropriate dispositions are made.

Management Response: The Agency agrees.

DEPARTMENT OF LABOR

Finding 2023-056

Program: AL 17.225 – Unemployment Insurance – State – Allowability & Eligibility

Grant Number & Year: N/A

Federal Grantor Agency: U.S. Department of Labor

Repeat Finding: 2022-046

Questioned Costs: $36,869

Statistical Sample: No

Summary: Audit Finding 2023-014, included in Part II of this report, relates to both the financial statements and Federal awards.

The APA performed a random sample of benefit payments and tested payments to State employees, individuals with high wages, and other payments. Our procedures revealed adjudication issues, improper payments to claimants, and other issues.

The APA randomly selected 40 claimant benefit payments. The total sample tested was $22,178, and questioned costs for payments tested were $4,493. Total benefit payments for the fiscal year ended June 30, 2023, were $62,550,014. Based on the sample tested, the dollar error rate for the sample was 20.26% ($4,493/$22,178), which estimates the potential dollars at risk for fiscal year 2023 to be $12,672,633 (dollar error rate multiplied by population).

We noted additional questioned costs during testing, totaling $32,376.

A similar finding was noted in the prior audit. The Summary Schedule of Prior Audit Findings lists the status as completed.

Recommendation: We recommend the Agency implement procedures to prevent the payment of improper Unemployment Insurance (UI) benefits by ensuring compliance with applicable State and Federal requirements. At a minimum, those procedures should ensure the following: 1) proper adjudication actions – including wage crossmatches, investigations into suspect separation from employment information, and separation information requests being sent to employers – are undertaken; and 2) neither ineligible State employees nor other ineligible claimants receive benefit payments.

Management Response: The Department acknowledges the finding but notes that the funds at issue are comprised entirely of unemployment benefit overpayments. The Department questions the categorization of benefit overpayments as Questioned or Disallowed Costs. Regular state unemployment benefit payments are made from Nebraska taxes collected by the Department as part of the unemployment program and deposited to the federal Unemployment Trust Fund (UTF) for the payment of state unemployment benefits. Those UTF monies are never intermingled with administrative grant funds awarded to the Department for the administration of the Nebraska unemployment program. Previous final determinations of the United States Department of Labor have found the errant payment of benefits to be disallowed but not subject to Federal debt collection. The Department understands the importance of quality unemployment insurance adjudication and is taking to steps to correct the findings noted above.

APA Response: State unemployment tax revenues must be deposited to the Unemployment Trust Fund in the U.S. Treasury. Therefore, as noted in the OMB Compliance Supplement, expenditures from State UI funds must be included with Federal funds on the Schedule of Expenditures of Federal Awards (SEFA). Costs included on the SEFA that are not supported at the time of the audit or are a result of a violation or possible violation of a statute are considered questioned costs, as defined by the Uniform Guidance at 2 CFR § 200.1.

MILITARY DEPARTMENT

Finding 2023-057

Program: AL 12.401 – National Guard Military Operations and Maintenance (O&M) Projects – Cash Management & Reporting

Grant Number & Year: Appendices – W91243-21-2-1001, FFY 2021; W91243-22-2-1001, FFY 2022; W91243-22-2-1002, FFY 2022; W91243-22-2-1005, FFY 2022; W91243-22-2-1007, FFY 2022; W91243-22-2-1021, FFY 2022; W91243-22-2-1023, FFY 2022; W91243-22-2-1031, FFY 2022; W91243-23-2-1001, FFY 2023; W91243-23-2-1003, FFY 2023; W91243-23-2-1005, FFY 2023; W91243-23-2-1010, FFY 2023; W91243-23-2-1021, FFY 2023; W91243-23-2-1023, FFY 2023; W91243-23-2-1024, FFY 2023; W91243-23-2-1031, FFY 2023.

Federal Grantor Agency: U.S. Department of Defense

Criteria: Per 2 CFR § 1128.100 and 2 CFR § 1128.200 (January 1, 2023), the Department of Defense adopted the Uniform Administrative Requirements, Cost Principles, and Audit Requirements set forth at 2 CFR parts 200.302, 200.303, and 200.305.

Per 2 CFR § 200.303 (January 1, 2023):

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

Title 2 CFR § 200.302 (January 1, 2023) requires financial management systems of the State be sufficient to permit both the preparation of required reports and tracing of funds to expenditures adequate to establish that the use of these funds was in accordance with applicable regulations. EnterpriseOne is the official accounting system for the State of Nebraska, and all expenditures are generated from it.

Title 2 CFR § 200.305(a) (January 1, 2023) states, in part, "For states, payments are governed by Treasury-State Cash Management Improvement Act (CMIA) agreements and default procedures codified at 31 CFR part 205 . . . ."

Title 31 CFR Part 205 (July 1, 2022) implements the 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, 2022, through June 30, 2023, allows the program to request Federal funds in accordance with the monthly draw funding technique, which bases the amount requested on costs estimated to be incurred in the next month.

Master Cooperative Agreement (October 2022), Article V – Payment, Section 503, Payment by Advance Method, states, "The advance payment method shall be according to procedures established in current NGB-AQ policy, NGR 5-1 Chapter 11 or successor CNGB I & M, and 2 CFR §200.305."

National Guard Policy (NG Policy) 5-1, National Guard Grants and Cooperative Agreements, Section 11-5, Advance Payment Method, Section (5), states, in part, "[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)." GCAPL 20-02 AQ-A Policy (February 4, 2020) turned NGR 5-1 into NG Policy 5-1. It generally maintained the principles and operational aspects of NGR 5-1, except as provisions of the document were adjusted in the AQ-A Policy. The AQ-A Policy did not make any changes to the 45-day requirement found in NGR 5-1.

Instructions for OMB Standard Form 270 (REV. 1/2016) include the following for line 11a, "Enter program outlays to date (net of refunds, rebates, and discounts), in the appropriate columns. For requests prepared on a cash basis, outlays are the sum of actual cash disbursements for goods and services, the amount of indirect expenses charged, the value of in- kind contributions applied, and the amount of cash advances and payments made to subcontractors and subrecipients."

Title 2 CFR § 200.511(b) (January 1, 2023) 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 would include procedures to ensure that the times between the drawdown of Federal funds and the disbursements thereof 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 and did not properly report program outlays on the OMB Standard Form (SF) 270.
A similar finding was noted in the prior audit.

Repeat Finding: 2022-050

Questioned Costs: None

Statistical Sample: No

Context: We tested 25 drawdowns of Federal funds to support the Agency's operations and noted the following:

- Eleven drawdowns were not in compliance with NG Policy 5-1. The draws were expended from 48 to 166 days after the drawdown of Federal funds.

The table below provides a summary of the 11 draws:

	Award	Draw Receipt Date	Total Draws as of Draw Receipt Date	Cash on hand at 45 days	# of Days to spend Total Draws
1	W91243-21-2-1001 (SAG 132)	8/11/2022	$ 11,560,511	$ 584,058	48
2	W91243-22-2-1001 (SAG 131)	10/24/2022*	$ 4,575,409	$ 820,205	87
3	W91243-22-2-1002	1/19/2023	$ 754,928	$ 58,323	166
4	W91243-22-2-1005 (QOIM)	7/1/2022	$ 178,520	$ 28,108	80
5	W91243-22-2-1007	9/13/2022	$ 365,000	$ 36,946	90
6	W91243-23-2-1001 (SAG 132)	5/30/2023	$ 4,128,000	$ 763,132	63
7	W91243-23-2-1003	12/20/2022	$ 207,375	$ 51,844	56
8	W91243-23-2-1005 (QOIM)	10/7/2022*	$ 37,000	$ 20,273	101

	Award	Draw Receipt Date	Total Draws as of Draw Receipt Date	Cash on hand at 45 days	# of Days to spend Total Draws
9	W91243-23-2-1005 (MXCL)	3/20/2023	$ 254,000	$ 38,799	75
10	W91243-23-2-1021 (FOMA)	2/15/2023	$ 560,145	$ 40,810	49
11	W91243-23-2-1023	6/15/2023	$ 528,900	$ 32,874	49

*The USPFO for Nebraska granted the Agency a one-time authorization to advance up to 60 days' worth of Federal Cooperative Agreement funds to the State for the first two months of Federal Fiscal year 2023 (October 2022 and November 2022). The Agency did not expend this draw within 60 days.

- In addition, five draws were not in compliance with CMIA Agreement requirements. Advance amounts were requested based on estimated costs to be incurred during the month covered by the requests. To determine the reasonableness of the estimates, the APA determined the time it took the Agency to expend amounts advanced (without consideration of any cash on hand). Five draws were expended between 48 and 111 days after the drawdown of Federal funds.

- For 23 of 25 SF-270's tested, the Agency did not properly report total program outlays on the OMB SF-270 report. The Agency reported the total drawdowns for the program to date, rather than actual cash disbursements, as total program outlays. The variance between what was reported and what should have been reported ranged from an underreporting of $45,247 to an overreporting of $1,143,496, with a net total overreporting of expenditures by $5,104,828 for the 25 reports tested.

A similar finding was noted during the previous audit. In the Summary Schedule of Prior Audit Findings, the Agency stated the following as a reason for the recurrence:

> *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 disbursement of funds is not a reasonable standard for the National Guard Military Operations and Maintenance Program.*

The Agency stated further that it will seek a modification to the CMIA Agreement. However, under the State's fiscal year 2022 and 2023 CMIA Agreements, the program is no longer required to follow the pre-issuance funding technique and instead follows the monthly draw funding technique. Thus, the Summary Schedule of Prior Audit Findings is not accurate.

Cause: Inadequate procedures for estimating cash needs for the upcoming month. Regarding SF-270 reporting, the Agency stated that it did not plan to implement corrective action until State fiscal year 2024.

Effect: The Agency is not in compliance with Federal cash management and reporting 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 requirements. We also recommend the Agency report total program outlays in compliance with Federal requirements.

> **Management Response:** The Agency agrees with the finding. The drawdown timeline is a partial result of the variances in federal reimbursement functionalities and advance state requirement functionalities. The State Services Support Division has simultaneously been prioritizing workloads due to staffing shortages persistent through the first quarter end of fiscal year 2023-2024.

Finding 2023-058

Program: AL 21.023 – COVID-19 Emergency Rental Assistance – Allowability & Eligibility & Period of Performance

Grant Number & Year: N/A

Federal Grantor Agency: U.S. Department of the Treasury

Criteria: Per 2 CFR § 1000.10 (January 1, 2023), the U.S. Department of the Treasury adopted the Uniform Administrative Requirements, Cost Principles, and Audit Requirements set forth at 2 CFR part 200.

Per 2 CFR § 200.303 (January 1, 2023):

> *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.*

2 CFR § 200.403 (January 1, 2023) 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:*
>
> *(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 § 200.405(d) (January 1, 2023) states the following, in relevant part:

> *If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph (c) of this section, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis.*

Per 2 CFR § 1108.285 (January 1, 2023):

> *Period of performance means the time during which a recipient or subrecipient may incur new obligations to carry out the work authorized under an award or subaward, respectively.*

Question 7 in the Frequently Asked Questions (FAQ) guidance document (Revised July 27, 2022), issued by the U.S. Department of the Treasury, for the Emergency Rental Assistance program, states the following:

> *For both ERA1 and ERA2, other expenses related to housing include relocation expenses (including prospective relocation expenses), such as rental security deposits, and rental fees, which may include application or screening fees. It can also include reasonable accrued late fees (if not included in rental or utility arrears), and Internet service provided to the rental unit. . . . All payments for housing-related expenses must be supported by documentary evidence such as a bill, invoice, or evidence of payment to the provider of the service.*

Question 4 of the same FAQ guidance document also states the following:

> *The statute establishing ERA1 provides that grantees may determine income eligibility based on either (i) the household's total income for calendar year 2020, or (ii) sufficient confirmation of the household's monthly income at the time of application, as determined by the Secretary of the Treasury (Secretary). . . . In order to provide assistance rapidly, during the public health emergency related to COVID-19 the grantee may rely on a self-attestation of household income without further verification if the applicant confirms in their application or other document that they are unable to provide documentation of their income. If a written attestation without further verification is relied on to document the majority of the applicant's income, the grantee must reassess the household's income every three months, by obtaining appropriate documentation or a new self-attestation.*

The Emergency Rental Assistance (ERA1): Closeout Resource (September 16, 2022), also promulgated by the U.S. Department of the Treasury, contains the following:

> *The end date of the award period of performance is the* ***last day*** *for a grantee to* ***obligate funds for ERA1 activities*** *(September 30, 2022 for award funds received pursuant to the grantee's initial allocation and December 29, 2022 for reallocated funds). Funds statutorily available for administrative costs are* ***not*** *considered to be "automatically" obligated; therefore, grantees must obligate award funds by the end of the award period of performance to cover their administrative costs for closeout activities.*

Good internal control requires procedures to ensure that adequate supporting documentation is obtained and utilized during the application review process. Good internal control also requires procedures to ensure compliance with Federal regulations.

Condition: Procedures were inadequate to ensure that payments were allowable, and individuals were eligible for assistance. A similar finding was noted in the prior audit.

For one contract payment tested, the costs had neither been obligated nor occurred prior to the end of the period of performance for the ERA1 program. Additionally, the costs were associated with multiple programs but charged only to the ERA1 program.

Repeat Finding: 2022-052

Questioned Costs: $172,809 known

Statistical Sample: No

Context: We noted that 7 of 25 assistance payments tested had errors or inadequate support, as follows:

- One payment lacked documentation to support the tenant's 2020 income or monthly income at the time of the application.
- Five payments were for rent assistance for October and/or November 2022, which is after the period of performance.
- One payment was for late fees; however, the lease agreement provided did not contain a late fee clause.

Federal payment errors for the sample tested were $7,809. The total sample tested was $35,575, and assistance payments for the fiscal year totaled $4,678,044. Based on the sample tested, the dollar error rate for the sample was 21.95% ($7,809/$35,575), which estimates the potential dollars at risk for fiscal year 2023 to be $1,026,831 (dollar rate multiplied by the population).

We tested three contract payments made after January 1, 2023. One payment for $165,000 was to obtain licenses to access ServiceNow for the period October 7, 2023, to January 31, 2026. This item was added to the contract on January 13, 2023. Additionally, it was noted that this access was purchased to access information related to other programs, along with ERA1. Therefore, these costs were not incurred or obligated prior to the end of the period of performance for ERA1, and the costs were not allocated to all benefitting programs as required.

Cause: Inadequate review.

Effect: Increased risk of loss or misuse of funds and non-compliance with Federal guidelines.

Recommendation: We recommend the Agency improve procedures to ensure expenditures charged are within the allowed time period, adequately documented, and comply with Federal requirements.

> **Management Response:** Coordination with the contractor is ongoing. Audit findings are shared and revised as training and management attention was discussed. There are many checks and balance steps that continue to be discussed and revised on a weekly basis during call in monitoring and reporting session.

<u>Finding 2023-059</u>

Program: AL 21.026 – COVID-19 Homeowner Assistance Fund – Subrecipient Monitoring

Grant Number & Year: N/A

Federal Grantor Agency: U.S. Department of the Treasury

Criteria: Per 2 CFR § 1000.10 (January 1, 2023) the U.S. Department of the Treasury adopted the Uniform Administrative Requirements, Cost Principles, and Audit Requirements set forth at 2 CFR part 200.

2 CFR § 200.331 (January 1, 2023) states the following, in relevant part:

> *The non-Federal entity may concurrently receive Federal awards as a recipient, a subrecipient, and a contractor, depending on the substance of its agreements with Federal awarding agencies and pass-through entities. Therefore, a pass-through entity must make case-by-case determinations whether each agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor. The Federal awarding agency may supply and require recipients to comply with additional guidance to support these determinations provided such guidance does not conflict with this section.*
>
> *(a) Subrecipients. A subaward is for the purpose of carrying out a portion of a Federal award and creates a Federal assistance relationship with the subrecipient. See definition of Subaward in § 200.1 of this part. Characteristics which support the classification of the non-Federal entity as a subrecipient include when the non-Federal entity:*
>
> *(1) Determines who is eligible to receive what Federal assistance;*
> *(2) Has its performance measured in relation to whether objectives of a Federal program were met;*
> *(3) Has responsibility for programmatic decision-making;*
> *(4) Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and*
> *(5) In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.*

(b) *Contractors. A contract is for the purpose of obtaining goods and services for the non-Federal entity's own use and creates a procurement relationship with the contractor. See the definition of contract in § 200.1 of this part. Characteristics indicative of a procurement relationship between the non-Federal entity and a contractor are when the contractor:*

   (1) *Provides the goods and services within normal business operations;*
   (2) *Provides similar goods or services to many different purchasers;*
   (3) *Normally operates in a competitive environment;*
   (4) *Provides goods or services that are ancillary to the operation of the Federal program; and*
   (5) *Is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons.*

(c) *Use of judgment in making determination. In determining whether an agreement between a pass-through entity and another non-Federal entity casts the latter as a subrecipient or a contractor, the substance of the relationship is more important than the form of the agreement. All of the characteristics listed above may not be present in all cases, and the pass-through entity must use judgment in classifying each agreement as a subaward or a procurement contract.*

2 CFR § 200.511(b) (January 1, 2023) states, as is relevant, 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.*

(3) *When the auditee believes the audit findings are no longer valid or do not warrant further action, the reasons for this position must be described in the summary schedule.*

Condition: The Agency did not properly consider the Nebraska Investment Finance Authority (NIFA) to be a subrecipient. Additionally, the Agency did not properly complete the Summary Schedule of Prior Audit Findings.

Repeat Finding: 2022-055

Questioned Costs: None

Statistical Sample: No

Context: In the previous fiscal year, the Agency considered NIFA to be a subrecipient and reported $451,581 in subrecipient expenditures on the Schedule of Expenditures of Federal Awards (SEFA). During the fiscal year ended June 30, 2023, the Agency paid NIFA $92,255 for ongoing Homeowner Assistance Fund (HAF) program administration. These payments were not reported as subrecipient expenditures because the Agency changed its determination and now considers NIFA to be a contractor rather than a subrecipient of the program. The APA disagrees with the Agency's position that NIFA should be considered a contractor, as NIFA determines, to a substantial degree, the eligibility of applicants and, through that determination, informs State Accounting of which assistance payments are to be made and to whom. Additionally, NIFA is required to adhere to applicable Federal program requirements in the Federal award, and NIFA is administering the HAF program for a public purpose, not for the benefit of the Agency.

Further, the position that NIFA is a contractor, rather than a subrecipient, of the HAF program does not reflect the Agency's position in the Summary Schedule of Prior Audit Findings. The Schedule notes the following partial action taken:

The Military Department will use subrecipient policies and procedures it has in place to continue to monitor the performance of NIFA and ensure that Federal guidelines are followed, and requirements are met.

The Schedule also noted the following corrective action planned:

The Military Department will modify the memorandum of Understanding between the parties to identify NIFA as a subrecipient and advise them of any additional requirements.

The Agency's position that NIFA is not a subrecipient of the HAF program was not properly communicated in the Summary Schedule of Prior Audit Findings as required by 2 CFR § 200.511(b)(2).

Cause: Agency oversight.

Effect: Noncompliance with Federal guidelines.

Recommendation: We recommend the Agency implement procedures to review Federal guidelines to ensure subrecipients are properly identified, and that the Summary Schedule of Prior Audit Findings is completed properly.

Management Response: Due to the Agency's turnover recently, the response to this audit finding was in error. We agree with the finding and consider NIFA to be a Sub-Recipient.

<u>Finding 2023-060</u>

Program: AL 21.026 – COVID-19 Homeowner Assistance Fund – Allowability

Grant Number & Year: N/A

Federal Grantor Agency: U.S. Department of the Treasury

Criteria: Per 2 CFR § 1000.10 (January 1, 2023), the U.S. Department of the Treasury adopted the Uniform Administrative Requirements, Cost Principles, and Audit Requirements set forth at 2 CFR part 200.

Per 2 CFR § 200.303 (January 1, 2023) states, in part, the following:

The non-Federal entity must:

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

2 CFR § 200.403 (January 1, 2023) states, in relevant 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.

Condition: The Agency lacked adequate procedures for ensuring that payments were allowable.

Repeat Finding: No

Questioned Costs: $215 known

Statistical Sample: No

Context: We tested 25 assistance payments. One payment tested was for the incorrect amount. Per supporting documentation reviewed, the applicant owed $257 in past due utilities; however, a payment of $472 was issued to pay this outstanding balance, resulting in an overpayment of $215.

The total sample tested was $50,612, and total assistance payments for the fiscal year were $27,300,898. Based on the sample tested, the case error rate was 4% (1/25). The dollar error rate for the sample was 0.42% ($215/50,612), which estimates the potential dollars at risk for fiscal year 2023 to be $114,664 (dollar rate multiplied by the population).

Cause: Staff errors and inadequate review.

Effect: Increased risk for errors or fraud.

Recommendation: We recommend the Agency improve procedures for ensuring that payments are proper.

Management Response: The agency recognizes the findings and agree with staff errors.

Finding 2023-061

Program: AL 21.027 – COVID-19 – Coronavirus State and Local Fiscal Recovery Funds – Allowability & Subrecipient Monitoring

Grant Number & Year: SLFRP1965, March 3, 2021, through December 31, 2024

Federal Grantor Agency: U.S. Department of the Treasury

Criteria: 31 CFR § 35.6(b) (July 1, 2022) states, in relevant part, the following:

A recipient may use funds to respond to the public health emergency or its negative economic impacts if the use meets the criteria provided in paragraph (b)(1) of this section or is enumerated in paragraph (b)(3) of this section; provided that, in case of a use of funds for a capital expenditure under paragraph (b)(1) or (b)(3) of this section, the use of funds must also meet the criteria provided in paragraph (b)(4) of this section. Treasury may also articulate additional eligible programs, services, or capital expenditures from time to time that satisfy the eligibility criteria of this paragraph (b), which shall be eligible under this paragraph (b).

(1) Identifying eligible responses to the public health emergency or its negative economic impacts.

(i) A program, service, or capital expenditure is eligible under this paragraph (b)(1) if a recipient identifies a harm or impact to a beneficiary or class of beneficiaries caused or exacerbated by the public health emergency or its negative economic impacts and the program, service, or capital expenditure responds to such harm.

(ii) A program, service, or capital expenditure responds to a harm or impact experienced by an identified beneficiary or class of beneficiaries if it is reasonably designed to benefit the beneficiary or class of beneficiaries that experienced the harm or impact and is related and reasonably proportional to the extent and type of harm or impact experienced.

* * * *

(3) A recipient may use funds to respond to the public health emergency or its negative economic impacts on a beneficiary or class of beneficiaries for one or more of the following purposes unless such use is grossly disproportionate to the harm caused or exacerbated by the public health emergency or its negative economic impacts:

** * * **

(ii) Responding to the negative economic impacts of the public health emergency for purposes including:

** * * **

(C) Assistance to nonprofit organizations including programs, services, or capital expenditures, including loans or grants to mitigate financial hardship such as declines in revenues or increased costs, or technical assistance[.]

31 CFR § 35.6(c) (July 1, 2022) states the following:

A recipient may use funds to provide premium pay to eligible workers of the recipient who perform essential work or to provide grants to eligible employers that have eligible workers who perform essential work, provided that any premium pay or grants provided under this paragraph (c) must respond to eligible workers performing essential work during the COVID–19 public health emergency. A recipient uses premium pay or grants provided under this paragraph (c) to respond to eligible workers performing essential work during the COVID–19 public health emergency if:

(1) The eligible worker's total wages and remuneration, including the premium pay, is less than or equal to 150 percent of the greater of such eligible worker's residing State's or county's average annual wage for all occupations as defined by the Bureau of Labor Statistics' Occupational Employment and Wage Statistics;

(2) The eligible worker is not exempt from the Fair Labor Standards Act overtime provisions (29 U.S.C. 207); or

(3) The recipient has submitted to the Secretary a written justification that explains how providing premium pay to the eligible worker is responsive to the eligible worker performing essential work during the COVID–19 public health emergency (such as a description of the eligible workers' duties, health, or financial risks faced due to COVID–19, and why the recipient determined that the premium pay was responsive despite the worker's higher income).

31 CFR § 35.3 (July 1, 2022) defines "premium pay," in relevant part, as follows:

Premium pay means an amount of up to $13 per hour that is paid to an eligible worker, in addition to wages or remuneration the eligible worker otherwise receives, for all work performed by the eligible worker during the COVID–19 public health emergency. Such amount may not exceed $25,000 in total over the period of performance with respect to any single eligible worker.

Additionally, the "Final Rule" was released by the U.S. Department of the Treasury on January 6, 2022.

The Final Rule, Section II. Eligible Uses, A. Public Health and Negative Economic Impacts, 1. General Provisions: Structure and Standards, a. Standards for Identifying a Public Health or Negative Economic Impact, Standards: Designating a Negative Economic Impact, states the following, in relevant part:

(Page 4344) First, there must be a negative economic impact, or an economic harm, experienced by an individual or a class. The recipient should assess whether, and the extent to which, there has been an economic harm, such as loss of earnings or revenue, that resulted from the COVID-19 public health emergency. A recipient should first consider whether an economic harm exists and then whether this harm was caused or made worse by the COVID-19 public health emergency.

** * * **

Second, the response must be designed to address the identified economic harm or impact resulting from or exacerbated by the public health emergency. In selecting responses, the recipient must assess whether, and the extent to which, the use would respond to or address this harm or impact.

** * * **

Responses must be reasonably designed to benefit the individual or class that experienced the negative economic impact or harm. Uses of funds should be assessed based on their responsiveness to their intended beneficiary and the ability of the response to address the impact or harm experienced by that beneficiary.

Responses must also be related and reasonably proportional to the extent and type of harm experienced.

The Final Rule, Section II. Eligible Uses, A. Public Health and Negative Economic Impacts, 3. Negative Economic Impacts, c. Assistance to Nonprofits, states the following, in relevant part:

(Page 4380) The interim final rule provided for, and the final rule maintains, the ability for recipients to provide direct assistance to nonprofits that experienced public health or negative economic impacts of the pandemic. Specifically, recipients may provide direct assistance to nonprofits if the nonprofit has experienced a public health or negative economic impact as a result of the pandemic. For example, if a nonprofit organization experienced impacts like decreased revenues or increased costs (e.g., through reduced contributions or uncompensated increases in service need), and a recipient provides funds to address that impact, then it is providing direct assistance to the nonprofit as a beneficiary under Subsection (c)(1) of Sections 602 and 603. Direct assistance may take the form of loans, grants, in-kind assistance, technical assistance, or other services that respond to the negative economic impacts of the COVID–19 public health emergency.

The Final Rule, Section II. Eligible Uses, A. Public Health and Negative Economic Impacts, 4. General Provisions: Other, a. Public Sector Capacity and Workforce, states the following, in relevant part:

(Page 4386) The final rule allows for an expanded set of eligible uses to restore and support public sector employment. Eligible uses include hiring up to a pre-pandemic baseline that is adjusted for historic underinvestment in the public sector, providing additional funds for employees who experienced pay cuts or were furloughed, avoiding layoffs, providing worker retention incentives, and paying for ancillary administrative costs related to hiring.

** * * **

The final rule provides two options to restore pre-pandemic employment, depending on recipient's needs. Under the first and simpler option, recipients may use SLFRF funds to rehire staff for pre-pandemic positions that were unfilled or were eliminated due the pandemic without undergoing further analysis. Under the second option, the final rule provides recipients an option to hire above the pre-pandemic baseline, by adjusting the pre-pandemic baseline for historical growth in public sector employment over time, as well as flexibility on roles for hire.

** * * **

To pursue the second option, recipients should undergo the analysis provided below. In short, this option allows recipients to pay for payroll and covered benefits associated with the recipient increasing its number of budgeted full-time equivalent employees (FTEs) up to 7.5 percent above its pre-pandemic employment baseline, which adjusts for the continued underinvestment in state and local governments since the Great Recession.

** * * **

Funds may be used to maintain current compensation levels, with adjustments for inflation, in order to prevent layoffs that would otherwise be necessary. Recipients must be able to substantiate that layoffs were likely in the absence of SLFRF funds and would be substantially due to the public health emergency or its negative economic impacts (e.g., fiscal pressures on state and local budgets) and should document their assessment.

> * * * *
>
> *Funds may be used to provide worker retention incentives, which are designed to persuade employees to remain with the employer as compared to other employment options. Recipients must be able to substantiate that the employees were likely to leave employment in the absence of the retention incentive and should document their assessment.*
>
> * * * *
>
> *All worker retention incentives must be narrowly tailored to need and should not exceed incentives traditionally offered by the recipient or compensation that alternative employers may offer to compete for the employees. Further, because retention incentives are intended to provide additional incentive to remain with the employer, they must be entirely additive to an employee's regular rate of wages and other remuneration and may not be used to reduce or substitute for an employee's normal earnings. Treasury will presume that retention incentives that are less than 25 percent of the rate of base pay for an individual employee or 10 percent for a group or category of employees are reasonably proportional to the need to retain employees, as long as the other requirements are met.*

The Final Rule, Section II. Eligible Uses, A. Public Health and Negative Economic Impacts, 4. General Provisions: Other, b. Capital Expenditures, Overview of General Standards, states the following, in relevant part:

> *(Page 4391) Large capital expenditures intended for general economic development or to aid the travel, tourism, and hospitality industries—such as convention centers and stadiums—are, on balance, generally not reasonably proportional to addressing the negative economic impacts of the pandemic, as the efficacy of a large capital expenditure intended for general economic development in remedying pandemic harms may be very limited compared to its cost.*

The Final Rule, Footnote 230, states the following, in relevant part:

> *(Page 4379) Ultimately, recipients must comply with the eligible use requirements and any other applicable laws or requirements and are responsible for the actions of their subrecipients or beneficiaries.*

Per 2 CFR § 1000.10 (January 1, 2023), "[T]he Department of the Treasury adopts the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, set forth at 2 CFR part 200."

2 CFR § 200.332 (January 1, 2023) 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.*

2 CFR § 200.430(i)(1) (January 1, 2023) 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 § 200.303 (January 1, 2023) states, in relevant part, the following:

The non-Federal entity must:

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

Per 2 CFR § 200.403 (January 1, 2023), costs must be necessary, reasonable, and adequately documented.

Good internal control and sound business practices requires procedures for ensuring that: 1) grants issued to beneficiaries are reasonable and proportional to the harm identified; 2) premium pay is correctly calculated; and 3) all expenditures of funds are for allowable purposes.

Condition: The State lacked procedures for ensuring that grants issued to beneficiaries for worker retention and incentives were used for such purposes. The State lacked both procedures and the requisite knowledge to ensure that the premium charged to the grant was allowable. The State lacked procedures to ensure that grants to nonprofits were proportional to the negative economic harm incurred. The State lacked subrecipient monitoring procedures. The State possibly made fraudulent payments under the State's nursing scholarship program.

Repeat Finding: No

Questioned Costs: $23,452,594 Known

Statistical Sample: No

Context: We noted the following:

<u>Payments to Developmental Disability Providers, Assisted-Living Facilities, and Nursing Facilities for Employee Retention and Recruitment</u>

Nebraska Legislative Bill (LB) 1014 (2022), section 23, appropriated $20,000,000 from the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) grant to the Department of Health and Human Services (DHHS) for state fiscal year 2023 to be used for Developmental Disability (DD) provider rate increases for the purpose of enhancing employee retention and recruitment at the DD providers. DHHS implemented a 9% rate increase for select DD services in state fiscal year 2023. During the fiscal year, DD claims were paid out using State and Federal funds in accordance with the applicable Federal matching percentage (FMAP). In June 2023, DHHS made a journal entry to transfer $19,995,679 in expenditures from the State and Federal General Funds to the CSLFRF grant in accordance with the FMAP rates.

LB 1014, section 27, appropriated $5,462,800 from the CSLFRF grant to DHHS for State fiscal year 2023 to be paid out to assisted-living facilities for the following: 1) "Incentives for staff members employed by the licensed assisted-living facility in order to enhance employee recruitment and retention"; and 2) "Assistance with costs for supplies and equipment purchased by the licensed assisted-living facility." DHHS paid out $5,068,000 to assisted-living facilities during state fiscal year 2023.

LB 1014, section 28, appropriated $20,000,000 from the CSLFRF grant to DHHS for state fiscal year 2023 to be paid out to Medicaid-certified nursing facilities. The funds were to be used to provide supplemental incentive payments for direct care staff members employed at the nursing facilities. DHHS paid out $20,000,000 to nursing facilities during state fiscal year 2023.

During a testing of a random sample of 25 CSLFRF payments, we tested seven payments to nursing facilities, totaling $1,304,915. We asked for documentation of how DHHS ensured that the payments were used for allowable employee retention and recruitment programs, and for any documented assessments that were required by the Final Rule for worker incentive programs. According to DHHS, the funds were paid out in accordance with the requirements of LB 1014; however, DHHS acknowledged lacking procedures to ensure that the beneficiaries were using the funds for eligible recruitment and retention purposes. Additionally, DHHS failed to provide the required documented assessments per the Final Rule. Given the lack of procedures to support that funds were being used for allowable purposes, all seven payments of the $1,304,915 tested are considered questioned costs. Additionally, the entire $20,000,000 paid out during the fiscal year are considered potential dollars at risk.

Additionally, we tested one $110,400 payment to an assisted-living facility under LB 1014, Section 27. Similar to the nursing facility payments tested, DHHS lacked procedures for ensuring that the assisted-living facilities were using the funds for eligible recruitment and retention purposes. Therefore, the $110,400 payment tested is considered a questioned cost.

Lastly, we tested the journal entries transferring $19,995,679 in expenditures to the CSLFRF grant for DD provider rate increases. Again, DHHS lacked procedures for ensuring that the DD providers were using the funds for eligible recruitment and retention purposes. Therefore, the journal entries tested for $19,995,679 are considered questioned costs.

We also noted that, due to an oversight error, one nursing facility that had certified Medicaid beds did not receive its proportional allocation of $43,138. Instead, that amount was split among the other nursing facilities that received payments.

<u>Premium Pay</u>

LB 1014, section 12, appropriated $3,546,602 to the Department of Veterans' Affairs (DVA) from the CSLFRF grant to be used for premium pay. In September 2022, the DVA posted journal entries to move payroll costs of $3,546,602 to the CSLFRF grant. However, we noted that the DVA did not review the premium pay eligibility requirements, which resulted in the following errors:

- The DVA moved $357,039 of payroll costs associated with individuals who had earnings of more than 150% of the applicable average wage for all occupations and were not exempt from the Fair Labor Standards Act overtime provisions, which is not allowable.

- $145,205 of the payroll costs moved were for premium pay that exceeded $25,000 per person, which is not allowable.

- The DVA moved payroll costs that were not for premium pay and were not in addition to wages the workers were already receiving. From a detail test of 25 employees, $371,683 out of $585,901 of payroll costs were not related to premium pay.

After the errors noted above were communicated to the DVA, the DVA recalculated the amount to charge the CSLFRF grant for premium pay, and the DVA calculated that only $1,518,092 should have been charged to the CSLFRF grant. We verified that, for the 25 employees previously tested, the DVA's revised calculation agreed to our calculation. We verified also that the DVA's revised calculation excluded individuals whose wages exceeded 150% of the applicable average wage for all occupations, and premium pay was capped at $25,000 for each employee. Therefore, the $2,028,510 difference between the $3,546,602 charged to the grant and the revised calculation of $1,518,092 is considered a questioned cost.

<u>Assistance to Nonprofits</u>

LB 1014, section 46, appropriated $100,000,000 to the Department of Economic Development (DED) from the CSLFRF grant to be used to provide grants to qualified nonprofit organizations to assist with capital projects that have been delayed due to COVID-19. In order to receive a grant, a nonprofit had to submit a grant application attesting to have experienced negative economic harm due to the public health emergency. During our testing, we noted that DED did not require nonprofits to submit documentation to substantiate having experienced a negative economic impact due to the pandemic that was equivalent or reasonably proportional to the grant award. We also noted that, for two of the nonprofit payments selected for testing, the two nonprofits received grant awards of $12,664,600 each to be used solely for the purpose of construction and development of sports complexes for competitive sports and economic growth. Per the CSLFRF Final Rule, large capital projects intended for general economic growth are not generally proportional responses to negative harm. Therefore, if the nonprofits had not suffered an economic harm due to COVID-19, these projects would otherwise not be an eligible use of CSLFRF funds.

We gave DED the opportunity to obtain documentation from the nonprofits to support that they experienced a negative economic impact proportional to the amount awarded. In all instances, DED was able to obtain documentation substantiating the negative economic harm in excess of the grant amounts awarded.

<u>University of Nebraska</u>

The University of Nebraska (University) was awarded $86,650,000 in a subaward to be used for a number of projects, including increasing the capacity of behavioral health care and rural health care. To monitor this subaward, the Military Department (Military) received and reviewed reports from the University and would have monthly meetings to discuss updates and whether deadlines were being met. Military stated that, beyond these monthly meetings, there were no planned procedures for reviewing any expenditures to ensure they were for allowable purposes and met the requirements of the Uniform Guidance, which is set out under 2 CFR Part 200 to establish uniform administrative requirements, cost principles, and audit requirements for Federal awards to non-Federal entities.

We selected one CSLFRF expenditure recorded by the University. The payment was for $116,670 and made to a subrecipient of the University. The subrecipient was a behavioral health provider and was used to increase telehealth capacity. During review of supporting documentation, we noted that adequate documentation was not on file to support the salary and fringe benefits charged to the CSLFRF grant for the two subrecipient employees tested. The employees' salary and fringe benefits had been allocated to the CSLFRF grant based on historical data and "prior experience with similar programs." As noted in 2 CFR § 200.430(h)(8)(viii), however, "Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards . . . ." Consequently, we consider the $8,090 in salary and benefits charged for the two employees to be questioned costs. The total salary and fringe benefits reimbursed on the payment tested amounted to $29,277.

<u>Nursing Scholarships</u>

During testing procedures, DHHS reported to us $5,000 in payments that were made due to fraudulent nursing scholarship applications submitted to, and accepted by, DHHS. Per DHHS's subsequent review, the applicant fraudulently claimed on her application that she was enrolled in a nursing program during the spring and summer 2023 terms. DHHS has reported this to the U.S. Department of the Treasury. These $5,000 payments are considered questioned costs.

Cause: The State had inadequate procedures to ensure that the grant was used for allowable purposes, and staff had inadequate knowledge of the requirements of the CSLFRF.

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

Recommendation: We recommend the State strengthen procedures for ensuring that all Federal funds are used for intended and allowable purposes. We further recommend that the State take steps to recoup any payments for which either the beneficiary cannot support the proper use of the grant funds received or to the economic harm experienced.

Management Response:

Payments to Developmental Disability Providers, Assisted-Living Facilities, and Nursing Facilities for Employee Retention and Recruitment: Department of Health and Human Services (DHHS) disagrees with questioned costs of $21,410,994 ($1,304,915 Nursing Facilities, $110,400 Assisted Living Facilities, $19,995,679 Developmental Disabilities Providers). Payments made to Developmental Disability Providers, Assisted-Living Facilities, and Nursing Facilities followed federal regulations and were accurately distributed as directed by the legislature and signed legislation, LB1014. Payments to each facility were based on approved amounts in the legislative bill. In addition, DHHS properly passed requirements and regulatory information on to the providers. DHHS issued the following guidance document (as required by the legislation as well) https://dhhs.ne.gov/Grants%20and%20Contract%20Opportunity%20Docs/LB1014%20Guidance%20Document_DHHS%20DL%206-13-22.pdf#search=LB1014. If DHHS becomes aware of known unallowable activities, we will recoup applicable funds.

Premium Pay: As noted in the Auditors Comments, NDVA made the necessary corrections to their workbooks to comply with these guidelines. However, the amounts reflected in the Auditors comments were only for eligible expenses through September of 2022 and did not take into consideration the entire Fiscal Year 2023. NDVA's eligible expenses as of June 30, 2023, were $3,695,625, which exceeded the $3,546,602 appropriated in LB 1014 by approximately $148,460.

Assistance to Nonprofits: DED acknowledges that with respect to its American Rescue Plan Act Shovel-Ready program in some cases it did not collect sufficient documentation to show the nonprofit organization suffered an economic harm related to and reasonably proportionate to DED's award.

University of Nebraska: NEMA continues to monitor the University of Nebraska (University) subaward through the review of reports and monthly progress meetings.

APA Response: Per the CSLFRF final rule, the recipient, which is the State, must comply with the eligible use requirements and is ultimately responsible for the actions of its beneficiaries. No documentation was provided to support that the funds granted to Developmental Disability Providers, Assisted-Living Facilities, and Nursing Facilities were spent on allowable retention and recruitment efforts or that any applicable pre-analysis required by the CSLFRF final rule was completed.

The journal entry prepared by NDVA was done in September 2022. It covers the premium pay given in November 2021 to June 2022. We were not provided a spreadsheet with updated calculations, nor did the Agency make any adjustments in the accounting system to show this as an offset of fiscal year 2023 expenses.

Finding 2023-062

Program: AL 21.027 – COVID-19 – Coronavirus State and Local Fiscal Recovery Funds – Reporting

Grant Number & Year: SLFRP1965, March 3, 2021, through December 31, 2024

Federal Grantor Agency: U.S. Department of the Treasury

Criteria: 31 CFR § 35.6(b)(4) (July 1, 2022) states, in relevant part, the following:

A recipient, other than a Tribal government, must prepare a written justification for certain capital expenditures according to Table 1 to paragraph (b)(4) of this section. Such written justification must include the following elements:

(i) Describe the harm or need to be addressed;

(ii) Explain why a capital expenditure is appropriate; and

(iii) Compare the proposed capital expenditure to at least two alternative capital expenditures and demonstrate why the proposed capital expenditure is superior.

Table 1 to Paragraph (b)(4)

If a Project has total expected Capital Expenditures of:	***and the use is enumerated in (b)(3), then***	***and the use is not enumerated in (b)(3), then***
Less than $1 Million	*No Written Justification required*	*No Written Justification required*
Greater than or equal to $1 Million, but less than $10 Million	*Written Justification required but recipients are not required to submit as part of regular reporting to Treasury*	*Written Justification required and recipients must submit as part of regular reporting to Treasury.*
$10 Million or More	*Written Justification required and recipients must submit as part of regular reporting to Treasury*	

Good internal control and sound business practices require policies and procedures to ensure that all CSLFRF reporting requirements are met, including the maintenance of written justification on file for projects with expected capital expenditures of more than $1 million.

Condition: The Department of Administrative Services (DAS) was responsible for preparing the Quarterly Project and Expenditure Reports. DAS lacked procedures to ensure that CSLFRF obligations were reported accurately on the Quarterly Project and Expenditure Reports, or written justification was on file for all projects with expected capital expenditures over $1 million.

Repeat Finding: No

Questioned Costs: None

Statistical Sample: No

Context: We tested the quarters ending December 31, 2022, and June 30, 2023, Project and Expenditure Reports. We noted the following:

Current and Cumulative Obligations Reported

We selected for testing two of 21 projects from the quarter ending December 31, 2022, report and six of 57 projects from the quarter ending June 30, 2023. Two of the projects tested did not have current obligations or cumulative obligations reported correctly.

The State reported cumulative obligations of $116,897,124 under project 72652020 (Shovel Ready). The Department of Economic Development (DED) was the agency responsible for administering this project. DED provided documentation showing that cumulative obligations were only $113,411,816 at December 31, 2022. Consequently, the December report was overstated by $3,485,308. However, we also noted that the State Legislature appropriated only $100 million in CSLFRF funds to be used on the Shovel Ready projects. Per discussion with DED, the difference between the amount of obligation and the amount of CSLFRF appropriations will be covered by State funds. Therefore, only $100 million in CSLFRF funds were obligated to the Shovel Ready project, so the report was overstated by a total of $16,897,124. We also reviewed the June 2023 report and noted that cumulative obligations were still being overstated by $13,503,516. Additionally, DED had obligated the funds for this project prior to October 1, 2022; however, the report incorrectly showed all these funds as obligated during the current period. Current period obligations were properly reported as $0 on the quarter ending June 30, 2023, report.

We also noted that the cumulative obligations and current period obligations for Project 33209901 (State Park System Lagoon Projects) were not properly reported on the quarter ending June 30, 2023, report. The State reported cumulative obligations of $6,893,694. The Nebraska Game & Parks Commission was the agency responsible for administering this project. The supporting documentation provided by Game & Parks showed that only $6,786,249 was obligated at June 30, 2023. Additionally, a change order for $61,362 during the quarter was not included with the current-period obligations, resulting in current-period obligations being underreported.

Capital Expenditures

We noted five projects that either did not properly report expected capital expenditures, or the required written justification was not on file.

- Project 72652021.1.12 (Mental Health Services) – The State reported no expected capital expenditures for this project. The project is comprised of four $10 million awards that DED made to entities for the purpose of expanding behavioral health services. Originally, when reporting this project, DED considered these payments to be beneficiary payments to the behavioral health service providers, not capital expenditures. After further discussion with DED, it was determined that these should have been treated as subawards, and expected capital expenditures should have been reported. Even though the expected capital expenditures were not reported correctly, DED did have written justification on file for capital expenditures of the project.

- Project 25580005 (Improve Infrastructure) – The State reported $4,856,106 in expected capital expenditures for this project. However, the Department of Health and Human Services (DHHS) treated each subaward under this project separately when determining if written justification was required. As no single subaward was for $1 million or more, DHHS did not document any written justification.

- Project U5991971490 (NE Rural Healthcare Education) – The State reported $0 in expected capital expenditures for this project, which was for the construction of a new rural healthcare education building. DAS stated that this was reported in error, and the actual amount of expected capital expenditures would be $50,000,000. Even though the expected capital expenditures were not reported correctly, written justification was on file for the capital expenditures of this project.

- Project 48697142 (Workforce Development Center at Northeast) was reported as having no expected capital expenditures. Through discussion with the Coordinating Commission on Post-Secondary Education, the project had at least $1 million in expected capital expenditures and should have been reported as such on the quarterly report. Written justification for the capital expenditures of the project was on file.

Cause: Individual agencies were responsible for reporting to DAS what should be reported on the Quarterly Project and Expenditure Report. Not all information reported by the agencies was accurate.

Effect: Without adequate procedures, there is increased risk that the quarterly project and expenditure reports will be materially misstated, and required written justification will not be on file.

Recommendation: We recommend the Agency strengthen procedures to ensure that all quarterly project and expenditure reports are complete and accurate, and any required written justification is maintained on file.

Management Response: As of the reporting period ended December 31, 2023, DED obligations under the Shovel Ready project are reflected as $100 million, which agrees to federal ARPA funds appropriated by the Legislature. State Park System Lagoon Project obligations are provided by Game and Parks for each quarterly report.

DHHS partially agrees with the finding. We have the written justification but did not provide to the APA timely for the audit.

<u>Finding 2023-063</u>

Program: AL 97.036 – Disaster Grants - Public Assistance (Presidentially Declared Disasters) – Subrecipient Monitoring

Grant Number & Year: All open, including 4420-DR-NE, declared March 21, 2019

Federal Grantor Agency: U.S. Department of Homeland Security

Criteria: 2 CFR § 200.332 (January 1, 2023) states, in relevant part, the following:

All pass-through entities must:

* * * *

(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

(1) Reviewing financial and performance reports required by the pass-through entity.

(2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and written confirmation from the subrecipient, highlighting the status of actions planned or taken to address Single Audit findings related to the particular subaward.

(3) Issuing a management decision for applicable audit findings pertaining only to the Federal award provided to the subrecipient from the pass-through entity as required by § 200.521.

* * * *

(f) Verify that every subrecipient is audited as required by Subpart F of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501

2 CFR § 200.501(b) (January 1, 2023) states, in relevant part, the following: "A non-Federal entity that expends $750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single audit conducted in accordance with § 200.514 . . ."

Per Chapter VII, Section B, of the Agency's 2023 Annual Administrative Plan for the Public Assistance Program, it is the State's responsibility to review Single audits completed by subrecipients and to ensure appropriate action is taken for adverse findings.

A good internal control plan requires procedures to ensure subrecipient audits are reviewed timely.

Condition: The Agency did not ensure subrecipient Single Audits were obtained timely.

Repeat Finding: No

Questioned Costs: None

Statistical Sample: No

Context: The Agency utilizes a spreadsheet to track whether subrecipients obtain Single Audits when required. Additionally, the Agency sends letters to all subrecipients requiring them to respond on whether they were required to obtain a Single Audit. However, the Agency did not complete these processes during fiscal year 2023.

We selected six subrecipients for testing that would have required a Single Audit be issued during State fiscal year 2023 based on the amount of funds they received from the Agency. For all six subrecipients tested, the Agency had not verified whether or not the subrecipients obtained Single Audits prior to our inquiry in December 2023. One of the six subrecipients appears to have required a Single Audit because it received $1,261,565 in disaster grant funds passed through the Agency during fiscal year 2022, but it did not obtain one.

Cause: According to Agency representatives, the process was not completed due to a severe lack of staffing.

Effect: Without 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 subrecipient audits are reviewed timely.

Management Response: Due to the Agency's extreme staffing shortage which has persisted for two years, NEMA has had to prioritize workload. This has been particularly acute with Federal Aid Administrators to whom the tasks of subrecipient monitoring fall. Several projects slipped the normal timeframes for completion.

Finding 2023-064

Program: AL 97.036 – Disaster Grants - Public Assistance (Presidentially Declared Disasters) – Reporting

Grant Number & Year: 4420-DR-NE, declared March 21, 2019; 4521-DR-NE, declared April 4, 2020; 4641-DR-NE, declared February 23, 2022; 4662-DR-NE, declared July 27, 2022

Federal Grantor Agency: U.S. Department of Homeland Security

Criteria: 2 CFR § 170, Appendix A I. (January 1, 2023) states, in relevant part, the following:

a. Reporting of first-tier subawards.

Applicability. Unless you are exempt as provided in paragraph d. of this award term, you must report each action that equals or exceeds $30,000 in Federal funds for a subaward to a non-Federal entity or Federal agency . . . .

2. Where and when to report.

i. The non-Federal entity or Federal agency must report each obligating action described in paragraph a.1. of this award term to http://www.fsrs.gov.

ii. For subaward information, report no later than the end of the month following the month in which the obligation was made.

Good internal control requires procedures to ensure that all subawards subject to Federal Funding Accountability and Transparency Act (FFATA) reporting are submitted on time.

Condition: FFATA reporting was not submitted for one of 22 subawards tested. FFATA reporting was not submitted timely for 21 of 22 subawards tested.

Repeat Finding: No

Questioned Costs: None

Statistical Sample: No

Context: The Agency had 215 subawards obligated during the fiscal year ended June 30, 2023. We tested 22 of the subawards. One of those subawards was not reported as of January 30, 2024. The subaward should have been reported by February 28, 2023. The subrecipient has not obtained a unique identifying number. The Agency first followed up with the subrecipient regarding the need to register for a unique identifying number over 10 months after funds were obligated to the subrecipient.

Additionally, the Agency did not submit the other 21 subawards tested timely. The subawards were reported between 105 and 435 days late.

Transactions Tested	Subawards Not Reported	Subawards Not Report Timely	Subawards Amount Incorrect	Subawards Missing Key Elements
22	1	21	0	0
Dollar Amount of Tested Transactions	**Dollar Amount of Subawards Not Reported**	**Dollar Amount of Subawards Not Reported Timely**	**Dollar Amount of Subawards Amount Incorrect**	**Dollar Amount of Subawards Missing Key Elements**
$11,649,077	$443,472	$11,205,605	$0	$0

Cause: Procedures were not properly implemented to ensure that all subawards were reported as required.

Effect: Without adequate procedures, there is an increased risk that subawards will not be reported timely, if at all.

Recommendation: We recommend the Agency improve its procedures to ensure that all subawards are reported as required.

> **Management Response:** Due to the Agency's extreme staffing shortage which has persisted for two years, NEMA has had to prioritize workload. This has been particularly acute with Federal Aid Administrators to whom the tasks of subrecipient monitoring fall. Several projects slipped the normal timeframes for completion.

DEPARTMENT OF TRANSPORTATION

Finding 2023-065

Program: AL 20.509 – Formula Grants for Rural Areas – Allowability & Subrecipient Monitoring

Grant Number & Year: NE-2019-013-00, Performance End FFY 2023; NE-2022-019-00, Performance End FFY 2024

Federal Grantor Agency: U.S. Department of Transportation

Criteria: Per 2 CFR § 1201.1 (January 1, 2023), the U.S. Department of Transportation adopted the Uniform Administrative Requirements, Cost Principles, and Audit Requirements set forth at Title 2 CFR part 200.

2 CFR § 200.403 (January 1, 2023) 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 § 200.332(d) (January 1, 2023) 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, 2023) 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 . . . .*

2 CFR § 200.431(b) (January 1, 2023) states the following, in relevant part:

> *Leave. The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, family-related leave, sick leave, holidays, court leave, military leave, administrative leave, and other similar benefits, are allowable if all of the following criteria are met:*
>
> * * * *
>
> *(2) The costs are equitably allocated to all related activities, including Federal awards . . . .*

2 CFR § 200.467 (January 1, 2023) states the following:

> *Costs of selling and marketing any products or services of the non-Federal entity (unless allowed under § 200.421) are unallowable, except as direct costs, with prior approval by the Federal awarding agency when necessary for the performance of the Federal award.*

Per 2 CFR § 200.405(a) (January 1, 2023), "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."

Condition: The Agency lacked adequate documentation to support that payments were for allowable activities and in accordance with allowable cost principles.

A similar finding was noted in the prior audit.

Repeat Finding: 2022-057

Questioned Costs: $82,967 known (NE-2019-013-00 $82,121; NE-2022-019-00 $846)

Statistical Sample: No

Context: During the fiscal year, the Agency paid 58 subrecipients a total of $10,974,293. We selected 24 payments to subrecipients for testing. The Agency performed financial reviews for subrecipients; however, the reviews tested did not always include all necessary supporting documentation. When additional documentation was needed, we gave the Agency the opportunity to obtain additional support from the subrecipient; however, adequate support was not always obtained or able to be provided.

Our random sample included an operating assistance reimbursement to North Fork Area Transit (NFAT). As identified in both the prior Single audit and a separate letter sent to the Agency, dated August 7, 2023, reimbursements for questionable expenditures were made to NFAT during the period April 1, 2022, to November 30, 2022. The former NFAT director was alleged to have committed fraud during this period.

Our current testing included the reimbursement for NFAT's August 2022 expenditures. The payment tested reimbursed NFAT $201,438 in Federal dollars. Of that amount, $78,348 was questioned, as follows:

- NFAT was reimbursed $21,665 for nonoperating personnel when the timesheets supporting the time worked were all copies of the same timesheet.

- NFAT was reimbursed $29,072 for operating personnel hours worked that did not appear reasonable. We noted nine employees whose hours for the four-week period were between 234.6 to 321.12 hours. This averages from 58.65 to 80.28 hours per week for each employee. Such large weekly averages give rise to concerns about not only the reasonableness and necessity of these payments but also possible compliance issues with labor standards – not to mention safety issues for riders. This was also identified in the letter dated August 7, 2023, in which employees were identified as working excessive overtime. An additional $376 was questioned, as the number of work hours for which one employee received compensation did not agree to those listed on his timesheet.

- NFAT was reimbursed $12,874 for vendor payments that never appear to have cleared the bank. Invoices and checks were provided to support the maintenance expenses reimbursed; however, the checks provided never cleared the bank. This was also identified in the letter dated August 7, 2023, which noted that the Director appeared to have written the checks but not paid the vendors.

- NFAT was reimbursed $14,361 for a duplicate payment. An invoice and check were provided to support the reimbursement of an insurance expense; however, this same expense was also submitted and reimbursed by the Agency in NFAT's September 2022 request for reimbursement.

We also noted issues with 12 of the 24 subrecipient payments tested, amounting to $4,619 in questioned costs, due to the following:

- For eight subrecipients tested, documentation was inadequate to support that personnel charges were allowable and in accordance with Federal cost principles, resulting in questioned costs of $2,705. Specifically, we noted the following:
  - Payments for employee leave was not equitably allocated based on time worked.
  - One subrecipient had wages reimbursed based on budgeted amounts.
  - One subrecipient was reimbursed for health insurance for two employees who had elected to receive wages in lieu of such insurance.
  - One subrecipient requested reimbursement for wages that did not agree with the amount paid to employees.
- For six subrecipients tested, questioned costs of $1,914 were identified due to inadequate support for capital and nonoperating costs. Questioned costs included the following:
  - One subrecipient was reimbursed for carpet adhesive that was later returned to the store. The subrecipient reimbursed the Director for the purchase of the carpet adhesive on her personal credit card, but the Agency was unable to identify a subsequent reimbursement request that reduced the amount sought for the returned items. Additionally, the subrecipient paid the Director for travel to another state to purchase the carpet adhesive, which not only could have been obtained from a more nearby merchant but also was ultimately returned.
  - Unreasonable travel reimbursements were noted. Among those was reimbursement for costs incurred by the subrecipient's Director to travel to a meeting of an unaffiliated organization's Board of Directors upon which she served as a member. That travel to attend a separate Board meeting was unrelated to the transit program.
  - A subrecipient was reimbursed for fees related to obtaining a trademark, which appears to have been a marketing expense that was not approved by the Federal awarding agency.
  - One subrecipient was reimbursed for an administrative fee that was not supported. The payment tested included a 7% administrative fee that was not specified in the agreement.
  - One subrecipient was reimbursed for unreasonable items, such as Christmas décor and Christmas candy.
  - One subrecipient was reimbursed for bookkeeping expenses; however, the subrecipient did not provide documentation to support that the amount allocated for that purpose was reasonable.

Based on the sample tested, we estimate the potential dollars at risk for the fiscal year to be $501,670, as detailed below:

	Errors in Sample	Total Tested	Total Paid *	Dollar Error Rate	Dollars at Risk
NFAT	$ 78,348	$ 201,438	$ 1,031,756	38.89%	$ 401,250
Other Payments	$ 4,619	$ 458,809	$ 9,942,537	1.01%	$ 100,420
Total	$ 82,967	$ 660,247	$ 10,974,293		$ 501,670

* The amount shown as "Total Paid" for NFAT is the total amount paid for the project associated with operating assistance and does not include payments to support intercity bus routes.

Cause: Procedures were inadequate to ensure that costs were in accordance with Federal requirements.

Effect: Increased risk for errors or misuse of funds.

Recommendation: We recommend the Agency strengthen subrecipient monitoring procedures. We further recommend the Agency improve procedures to ensure expenditures are allowable and in accordance with Federal regulations.

> **Management Response:** NDOT concurs with the findings and has revised reimbursement guidelines for subrecipients, clarifying allowed expenses and required documentation. Over the next 6-12 months, NDOT will conduct training sessions with subrecipients and collaborate with internal auditors on compliance matters. The establishment of the "Federal Oversight" unit within the Transit Section aims to improve monitoring, consistency, and compliance with federal requirements for all subrecipients.

Finding 2023-066

Program: AL 20.509 – Formula Grants for Rural Areas – Subrecipient Monitoring

Grant Number & Year: NE-2021-011-00, Performance End FFY 2024; NE-2022-019-00, Performance End FFY 2024

Federal Grantor Agency: U.S. Department of Transportation

Criteria: Per 2 CFR § 1201.1 (January 1, 2023), the U.S. Department of Transportation adopted the Uniform Administrative Requirements, Cost Principles, and Audit Requirements set forth at Title 2 CFR part 200.

2 CFR § 200.332 (January 1, 2023) requires all pass-through entities to do the following:

(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. . . . Required information includes:*

(1) *Federal award identification.*

* * * *

(iii) *Federal Award Identification Number (FAIN);*

(iv) *Federal Award Date (see the definition of Federal award date in § 200.1 of this part) of award to the recipient by the Federal agency;*

(v) *Subaward Period of Performance Start and End Date[.]*

Good internal control requires procedures to ensure that subrecipients are informed of all required information.

Condition: The Agency did not communicate all required information to subrecipients.

Repeat Finding: No

Questioned Costs: None

Statistical Sample: No

Context: During the fiscal year, 58 subrecipients received Federal funding. We tested six subrecipients and noted that the Agency did not properly communicate to them the FAIN, the Federal award date, or the subaward period of performance start and end dates. For the six subrecipients tested, the Agency provided a supplemental agreement that identified the availability of new Federal funding; however, the supplemental agreement did not communicate all necessary Federal award information.

Subrecipient expenditures totaled $10,974,293 during the fiscal year.

Cause: The supplemental agreement sent to all subrecipients did not include the FAIN, the Federal award date, or the subaward period of performance start and end dates.

Effect: When subrecipients are not informed of all required information, there is an increased risk for subrecipient noncompliance, including with audit requirements.

Recommendation: We recommend the Agency strengthen subrecipient agreements to ensure that subrecipient program agreements include all information required to be communicated.

> **Management Response:** NDOT acknowledges all findings and has incorporated Federal Identification details into the updated supplemental agreement template, intending to include all FAIN information in future supplemental agreements.

AUDITEE SECTION

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NEBRASKA

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DEPT. OF ADMINISTRATIVE SERVICES

Corrective Action Plan

The State of Nebraska Administrative Services respectfully submits the following corrective action plans for the fiscal year ended June 30, 2023. 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
State Accounting Administrator

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II. Findings Relating to the Financial Statements:

DEPARTMENT OF ADMINISTRATIVE SERVICES

Finding 2023-001

ACFR Preparation Issues

Corrective Action Plan: DAS will continue to work with agencies to reduce errors and repeat findings.

Contact: Philip Olsen

Anticipated Completion Date: Ongoing

Finding 2023-002

Unemployment Insurance Fund Issues

Corrective Action Plan: DAS will continue to assist NDOL to adequately document its reconciliation procedures.

Contact: Philip Olsen

Anticipated Completion Date: Ongoing

Finding 2023-003

EnterpriseOne Timesheets

Corrective Action Plan: Under federal law, exempt employees do not need to track their hours. DAS – Accounting Division will work with DAS - State Personnel Division to explore ways to reconcile State and Federal law in our processes.

Contact: Philip Olsen

Anticipated Completion Date: June 30, 2024

Finding 2023-004

Changes to Vendor and Banking Information

Corrective Action Plan: DAS is working to revise its W-9 form to include agency review and approver sign-off.

Contact: Philip Olsen

Anticipated Completion Date: June 30, 2024

ATTORNEY GENERAL

Finding 2023-005

Settlement Revenue

Corrective Action Plan: The Attorney General corrected the system coding and internal processes to properly classify settlement revenue as miscellaneous revenue effective FY24.

Contact: Dana Hoffman and Alex Hogeland

Anticipated Completion Date: Completed

DEPARTMENT OF ECONOMIC DEVELOPMENT

Finding 2023-006

Incorrect Fiscal Year for Expenditures

Corrective Action Plan: The Department of Economic Development (DED) acknowledges that some transactions were entered into the incorrect fiscal year. When the audit was completed, DED made the correction and has updated procedures so that all P9 transactions are recorded properly going forward.

Contact: Audrey L. Sautter, Compliance Team Manager; Joseph H. Lauber, Deputy Director Operations / Chief Legal Officer

Anticipated Completion Date: DED has already completed its corrective action by changing its procedures to ensure all P9 transactions are properly recorded in the correct fiscal year.

DEPARTMENT OF EDUCATION

Finding 2023-007

Incorrect Accounts Payable

Corrective Action Plan: The current process for completing the ACFR is a manual process that has resulted in calculation and transposition errors. The Assistant Administrator for Budget & Grants Management and the Director of Central Accounting are reviewing the process and will implement a new process to automate the calculations. The budget management specialists will complete the ACFR utilizing the new procedures and submit the completed report to the Director of Central Accounting for review. Once the Director signs off and approves the report the Assistant Administrator will provide a final review and submit the report to State Accounting.

Contact: Jen Utemark

Anticipated Completion Date: The new process will be documented and in place by July 1, 2024.

Finding 2023-008

QE2 Change Management

Corrective Action Plan: By May 2023, Nebraska Vocational Rehabilitation Technology Services team had implemented a process where the documentation of testing of QE2 code changes is recorded in the comments associated with each change. If the documentation of testing is missing, the code changes are returned back to the developers until sufficient documentation is provided.

Contact: Tibor Moldovan, NDE Office of Technology Services

Anticipated Completion Date: Completed

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding 2023-009

Multiple Financial Statement Adjustments

Corrective Action Plan: DHHS Financial Services has continued to develop, assess, and improve upon internal procedures. Financial Services staff will continue to collect and review the accrued items. In addition, DHHS Financial Services will meet with staff responsible for the items noted in errors. This meeting will outline and review the internal reporting process, documentation expectations, review of the audit findings and deadlines. Internal Audit will also test the ACFR accruals included in this finding for next fiscal year. DHHS will also meet with DAS staff to work through any necessary corrections.

Contact: Heather Arnold

Anticipated Completion Date: September 30, 2024

Finding 2023-010

Other Errors in Financial Reporting

Corrective Action Plan: DHHS Financial Services will continue to develop, assess, and improve upon internal procedures. Financial Services staff will continue to collect and review the accrued items. In addition, DHHS Financial Services will meet with staff responsible for the items noted in errors. This meeting will outline and review the internal reporting process, documentation expectations, review of the audit findings and deadlines. DHHS will also meet with DAS staff to work through any necessary corrections for the next fiscal year.

Contact: Heather Arnold

Anticipated Completion Date: September 30, 2024

Finding 2023-011

MMIS to MDR Reconciliation and Interface Issues

Corrective Action Plan: The Agency agrees with the finding. As outlined in previous year findings, the agency has implemented changes to the Health Interactive (HIA) extract process, which feeds the data to the MDR system used for invoicing eligible drug labelers. While the Agency believes its previously-implemented solutions will predominantly address the noted findings moving forward, it also recognizes that a formal reconciliation process is necessary to ensure data sent to MDR for invoicing is complete, accurate and meets eligibility requirements. The Agency (MLTC and MMIS) are working together to create a reconciliation process, which will look at a quarter's worth of extract data, and will affirm that all applicable business rules are applied. The extract data will be compared with the underlying claims data from the data warehouse. Also, as part of the annual reconciliation process, the Agency will look at control totals to compare approximate, expected invoicing volume by quarter. Any findings through the reconciliation process will be addressed appropriately within the Agency to provide an appropriate and timely solution.

Contact: Danny Vanourney

Anticipated Completion Date: July 2024 (completion of initial, quarterly reconciliation)

Finding 2023-012

User Access

Corrective Action Plan: The Agency agrees with the finding. The Agency provides annual role based IT security training to supervisors that stresses the importance of least privilege and the importance of the timely submission of termination requests. The Agency effort to modernize and better automate the onboarding process is still underway to help reduce the complexity and increase the consistency of these security requests. Termination is a current emphasis of this effort. The system is being revised to disable user accounts automatically based on submission of a security request in order to more timely restrict access prior to a manual evaluation by the Help Desk on any additional actions required for the termination. The Agency is also evaluating options to better manage the N-FOCUS checklist process.

Contact: Lisa Schafers, Mark Nelson

Anticipated Completion Date: December 2024

DEPARTMENT OF LABOR

Finding 2023-013

Accounting Issues

Corrective Action Plan: The Department is thoroughly examining all proposed adjustments and statement errors. The Department is consulting with State Accounting to proceed with corrections. The Department is creating a monthly reconciliation for Labor Treasury accounting books. The Department will also establish a year end reconciliation.

Contact: Rea Easton

Anticipated Completion Date: Ongoing

Finding 2023-014

Unemployment Insurance Benefit Issues

Corrective Action Plan: The Department has worked with its vendor to implement changes to the wage crossmatch process. The Department has increased the size of its Benefit Integrity Unit and implemented further fraud prevention tools. The Department is working with the unit and individuals to properly prioritize workloads. The Department continues to work extensively with their vendor to address and resolve the issues related to separation information requests. The Department has also revised its adjudication process to manually address issues related to separation information requests pending the vendor completion of the needed corrections. The Department been working to improve its quality and has coached the adjudication team on ETA requirements for follow-up with employers. The Department also implemented a new work model in consultation with a vendor. Since implementing the new process, the Department has met first payment timeliness and nonmonetary determination timeliness for October, November, and December 2023 and January 2024. Separation issues as a cause of improper payment decreased from 6.245% in FFY 2022 to 3.173% in FFY 2023, and overall improper payment rate for FFY is down from 16.014% to 14.862%.

Contact: Andi Bridgmon, UI Director

Anticipated Completion Date: Ongoing – overall adjudication quality is an ongoing focus of the Department and will be continuously reviewed for continued improvement.

MILITARY DEPARTMENT

Finding 2023-015

Accounting Errors

Corrective Action Plan: We are working on a revised policy memorandum, to determine whether the payment is a prior year or current year payment.

Contact: NEMA-Deb Kai

Anticipated Completion Date: 8/15/2024

DEPARTMENT OF NATURAL RESOURCES

Finding 2023-016

Water Sustainability Fund Reimbursements

Corrective Action Plan: The Department has updated written policies and procedures to reflect changes in accounting practices as directed by Department of Administrative Services. The written policies will be provided to all staff who have fund administration responsibilities to become familiar with the changes. At least two staff members review all fund transaction activity compared to Natural Resources Commission (NRC) authorizations. All computations for fixed distribution and related fund balances are reviewed by the Accounting and Finance Manager. No payments are made without verification of proper supporting documentation (invoices, etc.) and comparison to authorization limits. Ensure that expenditures are reported within the correct fiscal year. Any questions or concerns regarding disbursements are resolved with Department management or staff prior to processing for payment. All expenditures are reported in detail by program on monthly EnterpriseOne reports which are reviewed for reasonableness by accounting staff. Activity on each fund since the last meeting is reported to the Commission for review.

Contact: Roberto Robles, Deputy Director

Anticipated Completion Date: Implemented

PUBLIC EMPLOYEES RETIREMENT SYSTEMS

Finding 2023-017

Financial Statement Error

Corrective Action Plan: We made a journal entry to correct the information for calendar 2023. We have also had discussions with staff as to the journal entry that needs to be completed on a monthly basis.

Contact: Teresa Zulauf

Anticipated Completion Date: We have made correcting journal entries for January to June 2023.

DEPARTMENT OF REVENUE

Finding 2023-018

Incorrect Coding of Tax Receipts

Corrective Action Plan: Department of Revenue staff have already had discussions and are working with State Accounting regarding this issue. We are in the process of establishing new distributive funds to track these four tax receipt categories. Once internal testing and mapping is complete, the transactions in the old distributive fund will be moved/journalized to the new distributive funds.

Contact: Kim Vu and Myle Nguyen

Anticipated Completion Date: 4/30/2024

Finding 2023-019

ACFR Preparation Issues

Corrective Action Plan: The Department of Revenue acknowledges the updated collection receivable calculation proposed by the APA and will use that framework to calculate the FY24 taxes receivable. We will also more closely review the July and August receipts and the effect that those receipts would have on the applicable receivables. We will analyze applicable information technology expenses for possible capitalization and will scrutinize other information prior to submitting that data for the preparation of financial statements.

Contact: Chris Ayotte

Anticipated Completion Date: 8/31/2024

DEPARTMENT OF TRANSPORTATION

Finding 2023-020

Year-End Financial Information Errors

Corrective Action Plan: NDOT will include additional teammates in the preparation, review, and oversight of the information generated for the Annual Comprehensive Financial Report. In addition, prior to submission of the accrual response form to DAS State Accounting, NDOT will review with DAS State Accounting questions related to the accuracy of the information to be submitted.

Contact: Jenessa Boynton

Anticipated Completion Date: August 31st, 2024

III. Findings Relating to Federal Awards:

DEPARTMENT OF ADMINISTRATIVE SERVICES

Finding 2023-021

Program: Various, including AL 93.778 – Medical Assistance Program (Medicaid), and AL 93.563 – Child Support Enforcement – Allowable Costs/Cost Principles

Corrective Action Plan: The OCIO is currently setting rates for the fiscal year 2026 - 2027 biennium. We are developing standard operating procedures for each rate that is set and charged to customer agencies. In addition, more in-depth documentation will be maintained to justify costs to be recovered and stored in an accessible location for future review. The Print Shop is utilizing a rate setting methodology to develop and substantiate rates at the individual service line level for the fiscal year 2026 – 2027 biennium.

Contact: Philip Olsen/Ann Martinez/Noah Finlan

Anticipated Completion Date: June 30, 2025

Finding 2023-022

Program: Various, including AL 93.575, 93.596 – CCDF Cluster; AL 93.558 – Temporary Assistance for Needy Families — Reporting

Corrective Action Plan: State Accounting will continue to work with State agencies on correct coding and business unit setup to reduce agency errors.

Contact: Philip Olsen

Anticipated Completion Date: Ongoing

DEPARTMENT OF ECONOMIC DEVELOPMENT

Finding 2023-023

Program: AL 14.228 – Community Development Block Grants – Reporting

Corrective Action Plan: DED has changed its FFATA reporting procedure to ensure that the FFATA information is reported in FSRS within the required timeframe. The FFATA reporting process was previously a special condition to the release of funds. The timeframe for completing special conditions often takes months, which is beyond the deadline for reporting FFATA information to FSRS. DED has changed its procedure to require that the awardee submit the FFATA information to DED at the time the awardee executes the subaward. Nothing can proceed and move forward in the award workflow until DED receives the FFATA information. DED program staff is notified of completion of the FFATA information by the awardee. The FFATA information is now given to the Finance Team when the subaward is executed which gives the Finance Team adequate time to submit the information to FSRS. All DED's departments, programs, and awards that manage federal grants now use this FFATA procedure.

Contact: Audrey Sautter, DED Compliance Team Manager

Anticipated Completion Date: DED has already implemented this new FFATA procedure.

DEPARTMENT OF EDUCATION

Finding 2023-024

Program: AL 10.553 – School Breakfast Program; AL 10.555 – National School Lunch Program; AL 10.556 – Special Milk Program for Children; AL 10.559 – Summer Food Service Program for Children; and AL 10.582 – Fresh Fruit and Vegetable Program – Reporting

Corrective Action Plan: The NDE will continue checking the status of the help desk ticket at FSRS once-weekly until reporting on the CNP block grant funds can be successfully completed. At that time, confirmation of successfully reporting on the CNP block grants will be provided to the state auditor.

Contact: Kayte Partch, Assistant Administrator, Office of Coordinated Student Support

Anticipated Completion Date: Pending federal response

Finding 2023-025

Program: AL 10.555 – National School Lunch Program – Allowability

Corrective Action Plan: In the future, the FNS640 report will be checked monthly by two team members: Director of Child Nutrition Programs and the Program Specialist who is responsible for Administrative Review quality control effort. The FNS640 report identifies if an AR did not have the claim validation completed; if this is discovered, the Program Specialist will be notified and required to complete the claim validation and accompanying information within 10 working days.

Contact: Kayte Partch, Assistant Administrator, Office of Coordinated Student Support

Anticipated Completion Date: Immediately

Finding 2023-026

Program: Various, including AL 84.027 – Special Education Grants to States; AL 84.173 – COVID-19 Special Education Preschool Grants; AL 84.425D – COVID-19 Education Stabilization Fund – Elementary and Secondary School Emergency Relief Fund (ESSER I and ESSER II); AL 84.425U – COVID-19 Education Stabilization Fund – American Rescue Plan – Elementary and Secondary School Emergency Relief Fund (ARP ESSER) – Subrecipient Monitoring

Corrective Action Plan: First SPED subrecipient – As education subrecipients have had a significant influx of subawards to mitigate post-COVID supports for Nebraska education with limited staff capacity, the Department has remained mindful of these conditions and is on schedule to complete its annual fiscal monitoring efforts within the normal timelines afforded each year.

Second SPED subrecipient – Because the UNL utilizes PVS as allowed by 2 CFR 200.430 in regard to salary and wage benefit costs for employees working on a project under a contractual grant agreement, the NDE going forward will require PVS supporting documentation be submitted as a minimum semi-annually for each contract to verify the salary and benefit costs being requested for reimbursement as recommended by the U.S. Department of Education beginning with any payments occurring after March 1, 2023.

Third SPED subrecipient – The documentation to support the review of purchased services and supplies during fiscal monitoring was provided to the APA on March 4, 2024.

Single Audits – The Director of Grants Management and Director of Grants Compliance will work collaboratively to ensure all subrecipient audits are reviewed and applicable management decision letters are issued within the requested timeframe.

Contact: Jen Utemark, Administrator, Office of Budget & Grants Management

Anticipated Completion Date: July 1, 2024

Finding 2023-027

Program: AL 84.287 – Twenty-First Century Community Learning Centers – Subrecipient Monitoring

Corrective Action Plan: The NDE was provided written guidance from the U.S. Department of Education (USED) regarding source documentation required for the NDE's review of preliminary documentation required to make payment whereas this effort is not associated with the NDE's Grant Compliance Section performing the fiscal monitoring activities applying the required pass-through activities contained within 2 CFR 200.332. To make payment, the USED guidance states, "Uniform Guidance does not require the NDE to obtain specific source documentation from its subrecipient prior to making payments and the NDE's Grant Guidance states that for certain reimbursement requests, such as credit card purchases, travel expenses, and personal reimbursements, subrecipient are always required to submit supporting documentation. For other expenditures, including personnel costs, and time and effort certification, supporting documents need to be retained by the subrecipient for at least three years and must be available for auditing and monitoring purposes".

For the reimbursement request tested to make payment, additional source documentation was acquired from the subrecipient upon the APA's request and submitted for review on **March 1, 2024**.

Contact: Jen Utemark, Administrator, Office of Budget & Grants Management

Anticipated Completion Date: March 1, 2024

Finding 2023-028

Program: AL 84.425U – COVID-19 Education Stabilization Fund – American Rescue Plan – Elementary and Secondary School Emergency Relief Fund (ARP ESSER) – Reporting

Corrective Action Plan: We are constantly reviewing policy and procedures to ensure internal controls are in compliance with federal regulations. All contracts pass a legal and fiscal review prior to finalizing the agreement. If fiscal reviewer believes the nature of the agreement casts the entity as a subrecipient, then the fiscal reviewer will ask the agreement owner seeking review to further identify if the agreement is a contractor or subrecipient determination based on 2 CFR Chapter I, Chapter II, Part 200 et al. If determined a subrecipient agreement, then further information will be collected from the agreement owner to be incorporated into the agreement and made available for FFATA and fiscal monitoring purposes.

Contact: Jen Utemark, Administrator, Office of Budget & Grants Management

Anticipated Completion Date: 7/1/2024

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding 2023-029

Program: AL 93.558 – Temporary Assistance for Needy Families; AL 93.563 – Child Support Enforcement; AL 93.568 – Low Income Home Energy Assistance (LIHEAP); AL 93.575 – Child Care and Development Block Grant; AL 93.658 – Foster Care Title IV-E; AL 93.778 – Medical Assistance Program; AL 10.561 – State Administrative Matching Grants for the Supplemental Nutrition Assistance Program – Allowable Costs/Cost Principles

Corrective Action Plan: Training will be completed that highlights the importance of complete and accurate Journal Entries and how they may affect Federal Funding.

Contact: Patrick Werner

Anticipated Completion Date: 6/30/2024

Finding 2023-030

Program: Various, including AL 93.778 – Medical Assistance Program – Allowable Costs/Cost Principles

Corrective Action Plan: Time and Effort Report Allocations: Communication to involved parties reminding of the importance of completing RPAs timely and accurately.

RMTS Allocations: RMTS procedures will be updated.

Labor Hours Statistics: Cost Allocation instructions will be reviewed and updated as necessary.

Recipient Counts: Review of Cost Allocation instructions will be performed and additional clarification within instructions will be made as necessary.

Contact: Patrick Werner

Anticipated Completion Date: 6/30/2024

Finding 2023-031

Program: AL 93.268 – Immunization Cooperative Agreements; AL 93.323 – Epidemiology and Laboratory Capacity for Infectious Diseases (ELC); AL 93.558 – Temporary Assistance for Needy Families (TANF); AL 93.563 – Child Support Enforcement; AL 93.778 – Medical Assistance Program – Allowable Costs/Cost Principles

Corrective Action Plan: Issue stems from RPAs not being submitted/processed timely and by incoming and outgoing supervisors for internal moves. Communication to involved parties reminding of the importance of completing RPAs timely and accurately.

Contact: Patrick Werner

Anticipated Completion Date: 6/30/2024

Finding 2023-032

Program: AL 93.658 – Foster Care Title IV-E; AL 10.561 – State Administrative Matching Grants for the Supplemental Nutrition Assistance Program; AL 93.659 – Adoption Assistance – Allowable Costs/Cost Principles

Corrective Action Plan: DHHS will assign RMTS Administrator rolls to Program staff to better monitor the RMTS process.

Contact: Patrick Werner

Anticipated Completion Date: 6/30/2024

Finding 2023-033

Program: AL 93.069 – Public Health Emergency Preparedness (PHEP); AL 93.889 – National Bioterrorism Hospital Preparedness Program (HPP) – Allowability & Subrecipient Monitoring

Corrective Action Plan: The agency will continue to monitor subrecipient expenditures for compliance with applicable federal requirements.

Contact: Ryan Daly, Lisa Osborne

Anticipated Completion Date: 6/30/2024

Finding 2023-034

Program: AL 93.069 – Public Health Emergency Preparedness (PHEP); AL 93.889 – National Bioterrorism Hospital Preparedness Program (HPP) – Matching and Reporting

Corrective Action Plan: The agency will ensure total reported match is substantiated by source documentation. In addition, DHHS will work with Federal Partners to make necessary reporting adjustments to the IDC rate used.

Contact: Ryan Daly, Lisa Osborne, Ann Murphy

Anticipated Completion Date: 6/30/2024

Finding 2023-035

Program: AL 93.323 – COVID-19 Epidemiology & Laboratory Capacity for Infectious Diseases – Allowability & Subrecipient Monitoring

Corrective Action Plan: DHHS will work with the Health Center Association of Nebraska (HCAN) to collect complete source documentation from HCAN's subrecipients and subcontractors. In addition, the ordering process has been updated to ensure adequate documentation is maintained, including delivery receipts.

Contact: Ryan Daly, Caryn Vincent, Lucas Atkinson

Anticipated Completion Date: 6/30/2024

Finding 2023-036

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

Corrective Action Plan: The Agency is working on a new process to ensure that only eligible claims are charged to the Federal grant.

Contact: Snita Soni, Will Varicak

Anticipated Completion Date: 6/30/2024

Finding 2023-037

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

Corrective Action Plan: The TANF program will request the Program Accuracy Team send out a "Quick Tip" ADC memo to Economic field staff to remind them to verify that a dependent child aged 16 to 18 attends school attendance regularly.

Contact: Will Varicak

Anticipated Completion Date: 03/01/2024

Finding 2023-038

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

Corrective Action Plan: The Agency is working to make corrections to the ACF-199 -209 reports to ensure accurate information is reported to the Administration for Children and Families.

Contact: Will Varicak

Anticipated Completion Date: 8/1/2024

Finding 2023-039

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

Corrective Action Plan: Subrecipient monitoring procedures will be improved by providing guidance to the sub-recipients on the required documentation for documentation of personnel expenses and operational expenses. In addition, a uniform monitoring tool will be developed for the financial monitoring of all sub-recipients.

Contact: Will Varicak

Anticipated Completion Date: 3/1/2024

Finding 2023-040

Program: AL 93.566 – Refugee and Entrant Assistance State/Replacement Designee Administered Programs – Allowability & Eligibility

Corrective Action Plan: Re-training will occur for the Eligibility team working with RCA and RMA benefits. The Eligibility team will follow existing policies and procedures to gather documentation needed from SAVE.

Contact: Sara Bockelman & Dinah Wetindi

Anticipated Completion Date: 6/2/2024

Finding 2023-041

Program: AL 93.566 – Refugee and Entrant Assistance State/Replacement Designee Administered Programs – Allowability & Subrecipient Monitoring

Corrective Action Plan: The Refugee Resettlement Program has implemented procedures to ensure invoicing is accurate and appropriate. All subrecipient quarterly invoices will be audited with required backup documentation.

Contact: Sara Bockelman

Anticipated Completion Date: 6/2/2024

Finding 2023-042

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

Corrective Action Plan: The issue regarding the household income levels from the prior year was discussed with the Federal funding agency/Federal funding agency's data contractor prior to the submission of the Federal Fiscal Year (FFY) 2022 Household Report. The Department of Health and Human Services (DHHS) was advised to submit the report with the data that was available and to identify the issue in the comments. DHHS identified the issue in the comments of the Household Report that was submitted to the Federal funding agency, and it was accepted. DHHS will work with technical staff to revise the report to ensure data is accurately reported.

As of FFY 2024, the Federal funding agency revised the Household Report to no longer require applicant data. Thus, no further action is necessary regarding the applicant information.

Contact: Matt Thomsen

Anticipated Completion Date: 12/31/2024

Finding 2023-043

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

Corrective Action Plan: The CCDF program team will continue to review monthly reports with high billed hours. Resource Developers staff will increase initial and annual billing trainings with subsidy, and assist with any billing needs providers may have. A new provider handbook was launched in October 2023, which also has billing resources in it. DHHS changed the current billing structure from hours and days to partial days and full days, this launched July 2023. This should simplify billing and calculation errors. DHHS also launched a new billing portal in January 2024.

Contact: Nicole Vint

Anticipated Completion Date: 06/30/2024

Finding 2023-044

Program: AL 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 child care programs.

Through the Nebraska Department of Environment and Energy (NDEE) Agency, DHHS will have further communication with the delegated authorities to clarify the expectations and timeframes for sanitation inspections in child care programs.

DHHS will continue to implement policies and procedures for file reviews by CCSL and fire and sanitation inspection referrals.

DHHS will continue to complete the statutory child care inspection requirements.

In 2024, DHHS will explore statutory, regulatory and/or contract options to place more accountability on the licensee and referred agencies for maintaining current fire and sanitation approvals.

Contact: Matthew Hayden

Anticipated Completion Date: 07/01/2024

Finding 2023-045

Program: AL 93.575 – Child Care and Development Block Grant – Period of Performance

Corrective Action Plan: This finding was a result of staff turnover. The Agency completed a journal entry to move payroll costs to the correct grant year.

Contact: Ann Murphy

Anticipated Completion Date: Complete

Finding 2023-046

Program: AL 93.575 – COVID-19 Child Care and Development Block Grant – Allowability

Corrective Action Plan: DHHS will create better processes and controls with future vendors who are managing a project for DHHS. DHHS will request vendors document all contacts with any customers and provide DHHS with all records.

Contact: Nicole Vint

Anticipated Completion Date: 6/30/2024

Finding 2023-047

Program: AL 93.658 – Foster Care Title IV-E – Reporting

Corrective Action Plan: DHHS has implemented procedures to ensure reports are accurate and reconcile to the accounting system. The procedures have been updated to include reconciling the FFR to the accounting system on a quarterly basis.

Contact: Ann Murphy

Anticipated Completion Date: 6/30/2024

Finding 2023-048

Program: AL 93.658 – Foster Care Title IV-E; AL 93.658 – COVID-19 Foster Care Title IV-E – Allowability

Corrective Action Plan: The Agency will update where necessary policies and procedures to ensure adequate documentation be maintained to support that expenditures are allowable and proper in accordance with State and Federal regulations.

Contact: Andrew Keck

Anticipated Completion Date: 6/30/2024

Finding 2023-049

Program: AL 93.659 – Adoption Assistance – Reporting

Corrective Action Plan: DHHS has implemented procedures to ensure reports are accurate and reconcile to the accounting system. The procedures have been updated to include reconciling the FFR to the accounting system on a quarterly basis.

Contact: Ann Murphy

Anticipated Completion Date: 6/30/2024

Finding 2023-050

Program: AL 93.778 – Medical Assistance Program; AL 93.778 – COVID-19 Medical Assistance Program - Allowability

Corrective Action Plan: DHHS will work in collaboration with the APA to improve prevention of improper payments and to implement processes to improve the identification of and actions taken against potential fraud, waste, and abuse. In addition, DHHS has established recurring meetings to review each of the conditions in depth and identify mitigation strategies to implement. This could include a combination of policy, business rules, and technology changes, as well as interim and long-term mitigation strategies.

Contact: Kathy Scheele

Anticipated Completion Date: 12/31/2024

Finding 2023-051

Program: AL 93.778 – Medical Assistance Program; AL 93.778 – COVID-19 Medical Assistance Program – Allowability & Eligibility

Corrective Action Plan: User guides and training materials will be reviewed and updated if deemed necessary for clarity. Individual staff who made the errors will be followed up with to ensure they understand the policies going forward.

Contact: Catherine Gekas Steeby

Anticipated Completion Date: 6/30/2024

Finding 2023-052

Program: AL 93.778 – Medical Assistance Program – Special Tests and Provisions

Corrective Action Plan: DHHS will update desk audit procedures to ensure the desk audits are completed with a reasonable assurance of accurate cost reporting.

Contact: Jerry Vanderbeek; Danny Vanourney

Anticipated Completion Date: 12/31/2024

Finding 2023-053

Program: AL 93.778 – Medical Assistance Program; AL 93.767 – Children's Health Insurance Program (CHIP) – Special Tests and Provisions

Corrective Action Plan: DHHS is working with the provider enrollment vendor to modify the system to require that the provider must disclose at least one managing employee when they enroll. DHHS also plans to begin performing retro audits of enrolled providers to update information about owners/managing employees.

Contact: Melinda Abbott; Zac Ross

Anticipated Completion Date: 6/30/2024

Finding 2023-054

Program: AL 93.778 – Medical Assistance Program – Special Tests and Provisions

Corrective Action Plan: The Heritage Health contracts have been amended (executed in January 2024) to specify the requirement of the audit of financials on a GAAP basis in addition to the STAT basis for the DOI. This is effective for the period of calendar year 2024 and forward.

Contact: Jeremy Brunssen

Anticipated Completion Date: Completed

Finding 2023-055

Program: AL 93.778 – Medical Assistance Program – Special Tests and Provisions

Corrective Action Plan: DHHS will take steps to incorporate case review and status updates during existing team huddles, as well as during all PI teammate staffing meetings, and regular one on one meetings with investigators.

In addition, staff training on identifying information from referrals and proper entry to the database has been completed.

Contact: Anne Harvey; Cari Crosby; Jana McDonough

Anticipated Completion Date: 12/31/2024

DEPARTMENT OF LABOR

Finding 2023-056

Program: AL 17.225 – Unemployment Insurance – State – Allowability & Eligibility

Corrective Action Plan: The Department has worked with its vendor to implement changes to the wage crossmatch process. The Department has increased the size of its Benefit Integrity Unit and implemented further fraud prevention tools. The Department is working with the unit and individuals to properly prioritize workloads. The Department continues to work extensively with their vendor to address and resolve the issues related to separation information requests. The Department has also revised its adjudication process to manually address issues related to separation information requests pending the vendor completion of the needed corrections. The Department been working to improve its quality and has coached the adjudication team on ETA requirements for follow-up with employers. The Department also implemented a new work model in consultation with a vendor. Since implementing the new process, the Department has met first payment timeliness and nonmonetary determination timeliness for October, November, and December 2023 and January 2024. Separation issues as a cause of improper payment decreased from 6.245% in FFY 2022 to 3.173% in FFY 2023, and overall improper payment rate for FFY is down from 16.014% to 14.862%.

Contact: Andi Bridgmon, UI Director

Anticipated Completion Date: Ongoing – overall adjudication quality is an ongoing focus of the Department and will be continuously reviewed for continued improvement.

MILITARY DEPARTMENT

Finding 2023-057

Program: AL 12.401 – National Guard Military Operations and Maintenance (O&M) Projects – Cash Management & Reporting

Corrective Action Plan: The Agency will increase continued trend analysis efforts and shift functional responsibilities back to the State Services Support Division for more detailed oversight moving forward now that vacancies have been filled. The Agency will explore the feasibility of increased frequency of funding requests to decrease the amount of time between the Federal draw and the disbursement of funds by the State.

Contact: Lauren Hargreaves

Anticipated Completion Date: Ongoing

Finding 2023-058

Program: AL 21.023 – COVID-19 Emergency Rental Assistance – Allowability & Eligibility & Period of Performance

Corrective Action Plan: Continue process improvement to identify and correct assistance payments that are in accordance with the approved timelines and federal regulations.

Contact: Erv Portis

Anticipated Completion Date: Ongoing

Finding 2023-059

Program: AL 21.026 – COVID-19 Homeowner Assistance Fund – Subrecipient Monitoring

Corrective Action Plan: The Military Department will continue to modify the Memorandum of Understanding between the parties to identify NIFA as a subrecipient and advise of them of any additional requirements.

Contact: Erv Portis

Anticipated Completion Date: ongoing

Finding 2023-060

Program: AL 21.026 – COVID-19 Homeowner Assistance Fund – Allowability

Corrective Action Plan: The Agency will continue to work with NIFA and monitor process improvement. Findings will be reviewed with management and work to eliminate errors.

Contact: Erv Portis

Anticipated Completion Date: ongoing

Finding 2023-061

Program: AL 21.027 – COVID-19 – Coronavirus State and Local Fiscal Recovery Funds – Allowability & Subrecipient Monitoring

Corrective Action Plan:

Payments to Developmental Disability Providers, Assisted-Living Facilities, and Nursing Facilities for Employee Retention and Recruitment: DHHS is in the process of obtaining affidavits from all Developmental Disability Providers, Assisted-Living Facilities, and Nursing Facilities who received payments under LB1014 stating that funds were used for allowable purposes.

Premium Pay: We do not believe any corrective action is warranted as our files were corrected with the Auditor's guidance and assistance in accordance with all CSLFRF eligibility requirements.

Assistance to Nonprofits: For Shovel-Ready awards that have already been granted, DED will confirm prior to close-out of the grant that there is sufficient supporting documentation showing the awardee suffered a harm related and reasonably proportional to the award. Sufficient supporting documents must prove that the nonprofits suffered an economic harm, such as a decrease in revenue or an increase in expenses due to COVID-19. The evidence may include but is not limited to:

- Profit and loss statements showing a decrease in revenue or an increase in expenses
- Audited financial statements showing a decrease in review or an increase in expenses
- Change in a line of credit
- Increase in costs for projects related to COVID-19, such as construction cost data,
- Decrease in written pledges related to COVID-19
- Decrease in donations related to COVID-19
- Historical fundraising comparisons

University of Nebraska: The University project is ongoing. In the next six months, Military/NEMA will initiate monitoring activities to include the review and validation of expenditures for allowability as required under 2 C.F.R. part 200.

Nursing Scholarships: DHHS' current internal controls for the Nursing Scholarship program have minimized the risk of fraud as they correctly identified this case of fraud and have identified others prior to any payment being made. DHHS will continue to review payments for the Nursing Scholarship program, which uncovered the $5,000 identified in the finding.

Contact:

Payments to Developmental Disability Providers, Assisted-Living Facilities, and Nursing Facilities for Employee Retention and Recruitment: Heather Arnold, CPA, CFE DHHS Deputy Director of Financial Services

Premium Pay: Nicole Zimmerman, Finance Director

Assistance to Nonprofits: Audrey Sautter, DED Compliance Team Manager

University of Nebraska: Erv Portis, Assistant Director-Nebraska Emergency Management Agency (NEMA)

Nursing Scholarships: Heather Arnold, CPA, CFE DHHS Deputy Director of Financial Services

Anticipated Completion Date:

Payments to Developmental Disability Providers, Assisted-Living Facilities, and Nursing Facilities for Employee Retention and Recruitment: June 2025

Premium Pay: N/A

Assistance to Nonprofits: DED will draft a policy to place the above into effect within the next 7 days.

University of Nebraska: July 2024

Nursing Scholarships: June 2025

Finding 2023-062

Program: AL 21.027 – COVID-19 – Coronavirus State and Local Fiscal Recovery Funds – Reporting

Corrective Action Plan: DAS will continue to request accurate numbers from each agency for quarterly input. DAS is working with the agencies noted to ensure they have and maintain proper documentation regarding capital expenditure justification.

DHHS has written justification for the $3,967,469 (Improve Infrastructure) of capital expenditures. The Local Health Departments provided budgets which included planned activities/budgeting for capital expenditures. This justification was provided prior to the beginning of the project and was approved by DHHS staff. DHHS will continue to gather documentation from Local Health Departments related to capital expenditures.

Contact: Philip Olsen, CPA, State Accounting Administrator; Ryan Daly, DHHS Deputy Director of Finance, Public Health

Anticipated Completion Date: January 2024 & June 2025

Finding 2023-063

Program: AL 97.036 – Disaster Grants - Public Assistance (Presidentially Declared Disasters) – Subrecipient Monitoring

Corrective Action Plan: The Agency's top priority is to respond to its vacancy needs by continuing working with department Human Resources to find, hire, and train viable candidates who can perform these important functions.

Contact: Erv Portis

Anticipated Completion Date: Ongoing

Finding 2023-064

Program: AL 97.036 – Disaster Grants - Public Assistance (Presidentially Declared Disasters) – Reporting

Corrective Action Plan: The Agency's top priority is to respond to its vacancy needs by continuing working with department Human Resources to find, hire, and train viable candidates who can perform these important functions.

Contact: Erv Portis

Anticipated Completion Date: Ongoing

DEPARTMENT OF TRANSPORTATION

Finding 2023-065

Program: AL 20.509 – Formula Grants for Rural Areas – Allowability & Subrecipient Monitoring

Corrective Action Plan: NDOT recently updated the Invoicing Reimbursement Acceptable Documentation Requirement Guidelines. These guidelines offer comprehensive instruction, best practices, and a clearer definition of allowable expenses for subrecipients. The updated guide was distributed to subrecipients in February 2024. Over the next six months, NDOT plans to conduct additional training sessions through opportunities such as the monthly Transit Manager meetings, on-site visits, or webinars with subrecipients. The objective is to ensure a thorough understanding of required documentation and the identification of eligible federal reimbursement expenses. To assist with transit subrecipient monitoring, NDOT management has designated an internal auditor within the Transit Section. The auditor's focus will be assessing reimbursement documentation, reviewing time studies, evaluating cost allocation plans, developing risk assessment, and helping to intensify monitoring efforts over all subrecipients. NDOT is also in the process of improving and updating the invoice review process to provide consistency for reviewing and approving invoices to enhance accuracy within the Transit Section. Additionally, NDOT has established a dedicated unit "Financial Oversight" within the Transit Section solely focusing on Subrecipient reimbursements. The four staff members in this unit will report directly to Financial Aid Administrator III, this oversight will enhance the quality checks and consistency among subrecipient reimbursements. The Financial Oversight unit will continue to evaluate and refine the operations to ensure federal regulation and required documentation is in place prior to any subrecipient reimbursement.

Contact: Jodi Gibson

Anticipated Completion Date: On-going

Finding 2023-066

Program: AL 20.509 – Formula Grants for Rural Areas – Subrecipient Monitoring

Corrective Action Plan: NDOT updated the supplemental agreement template to include the Federal Award Identification information, including Federal award date and subaward period of performance start and end dates. A draft template has been provided to the APA. Current 5311 agreements are effective July 1, 2024 to June 30, 2025, when additional supplemental agreements are needed, the updated template which includes FAIN information will be provided to the subrecipients.

Contact: Jodi Gibson

Anticipated Completion Date: Complete

STATE OF NEBRASKA
Summary Schedule of Prior Audit Findings

FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

Finding #	State Agency/Finding	Status of Finding/Agency Comments
2022-001 Since 2020	Administrative Services Unemployment Insurance Fund Issues	**Status**: Ongoing **Reasons for Recurrence:** NDOL tax and benefit system reporting limitations. **Partial Corrective Action Taken:** DAS is working with NDOL Financial Services, software vendor, and consultant to establish accurate system reports and procedures for accurately reporting the Unemployment Insurance fund. **Corrective Action Planned:** NDOL has established procedures for its staff to review documentation, including the trial balance, and reconcile the separate subsystems to the accounting system. They have appropriate support to correct balances within EnterpriseOne and adequate controls to ensure financial data is accurate and complete.
2022-002 Since 2007	Administrative Services ACFR Preparation Issues	**Status**: Completed
2022-003 Since 2019	Administrative Services Capital Asset Accounting Errors	**Status**: Completed
2022-004 Since 2020	Administrative Services E1 Special Handle a Voucher	**Status**: DAS disagrees with finding – complete.
2022-005 Since 2020	Administrative Services E1 Timesheets	**Status**: Ongoing **Reasons for Recurrence:** System limitations. **Partial Corrective Action Taken:** Timesheet images are maintained in EnterpriseOne until the payroll is processed. The electronic data is maintained in EnterpriseOne indefinitely. **Corrective Action Planned:** DAS is exploring options for capturing and retaining timesheets images each time payroll is processed.

STATE OF NEBRASKA
Summary Schedule of Prior Audit Findings

Finding #	State Agency/Finding	Status of Finding/Agency Comments
2022-006 Since 2020	Administrative Services Changes to Vendor and Banking Information	**Status**: Ongoing **Reasons for Recurrence:** DAS has not yet implemented a vendor portal solution. **Partial Corrective Action Taken:** Changes to a vendor/payee require prior banking information be provided for verification. **Corrective Action Planned:** DAS has prioritized the research of a vendor portal solution that can securely facilitate vender self-service maintenance.
2022-007	Correctional Services Lack of Adherence to Legislative Bill and Federal Regulations	**Status:** Do not agree with findings. NDCS believes they were allowable expenses under the federal regulations for the CSLFRF and Final Rule. No further action is necessary.
2022-008 Since 2004	Health & Human Services Multiple Financial Statement Adjustments	**Status**: In Process **Reasons for Recurrence:** Human error **Partial Corrective Action Taken:** Processes continuing to be improved. **Corrective Action Planned:** Ongoing process improvements
2022-009 Since 2019	Health & Human Services Other Errors in Financial Reporting	**Status**: In Process **Reasons for Recurrence:** Human error **Partial Corrective Action Taken:** Processes continuing to be improved. **Corrective Action Planned:** Ongoing process improvements
2022-010	Health & Human Services MMIS to MDR Reconciliation and Interface Issues	**Status**: In process **Reasons for Recurrence:** Still enhancing process **Partial Corrective Action Taken:** The Agency has already resolved some of the items noted. **Corrective Action Planned:** Will continue to assess and implement further changes.

Finding #	State Agency/Finding	Status of Finding/Agency Comments
2022-011	Health & Human Services User Access	**Status**: In process **Reasons for Recurrence:** Still enhancing process **Partial Corrective Action Taken:** The Agency is involved in a current effort to modify the onboarding process which will reduce the complexity and increase the consistency of security requests. This new process will also provide better automated tools to assist staff in auditing security access in a timely manner, so that new procedures can be put in place to better manage user access. **Corrective Action Planned:** See above
2021-013 Since 2018	Health & Human Services Lack of Adequate Subrecipient Monitoring	**Status**: Complete **Reasons for Recurrence:** For most of these issues, the Department's responsibility to address the impact of Covid-19 temporarily affected the completion of monitoring during this State fiscal year.
2021-014 Since 2015	Health & Human Services Overpayment Mailbox	**Status**: In Process **Reasons for Recurrence:** Delay in implementation of all fixes. **Partial Corrective Action Taken:** Updated processes and to be as efficient as possible in the functions they perform. **Corrective Action Planned:** Ongoing improvements being made.

Finding #	State Agency/Finding	Status of Finding/Agency Comments
2022-012 Since 2020	Labor Accounting Issues	**Status**: In process **Reasons for Recurrence:** Poor historic understanding of Treasury accounting. **Partial Corrective Action Taken:** As previously noted, NDOL has corrected the $80 million in errors reported. Approximately half of that amount was consistently reported in the State accounting system since fiscal year 2014, without being cited as errors requiring correction. NDOL has engaged Deloitte and Touche to review the data migrated from the legacy tax system to the new tax system for accuracy and recommend corrective entries. The preliminary results are that the data migrated to the new system is accurate, but a number of corrective entries will need to be made. Deloitte expects to complete this project on or before May 31, 2023. In addition, NDOL is working with its vendor to better ensure that the reports issued accurately reflect the corrected data. In a separate agreement with Deloitte, NDOL has contracted with Deloitte to help establish new templates for transferring financial data from the new unemployment system to E1 and to make recommendations for better ensuring that financial information is both accurately tracked in the unemployment system and accurately reflected in E1. This process is scheduled to be completed prior to the closing of the books in E1 for FY23. In order to better ensure that the two Deloitte projects are completed timely and successfully, NDOL has brought in DAS Accounting as a full partner in the Deloitte projects. DAS Accounting has been a willing partner and the assistance of DAS Accounting has been a major factor in pushing these projects toward completion. **Corrective Action Planned:** NDOL will continue to refine processes to ensure accounting accuracy.

Finding #	State Agency/Finding	Status of Finding/Agency Comments
2022-013 Since 2020	Labor Unemployment Insurance Benefit Payments	**Status**: Completed **Reasons for Recurrence:** Benefits payments are unique payments. **Partial Corrective Action Taken:** The APA 's finding is based upon an estimate rather than a statistical sampling and overstates the error rate. USDOL uses a scientific sampling method. The USDOL sampling shows that Nebraska has a lower improper rate than the national average (16.255% vs. 21.536%). Using that same USDOL directed sampling and methodology, the Nebraska fraud rate for FY 2022 was substantially lower than the national average (NE - 4.775%, US 7.711%). The Department is focusing its fraud prevention efforts on preventing fraudulent claims from ever being paid. To that end, the Department has contracted with Lexis-Nexis to stop fraudulent claims on the front end. The Department is working to improve the wage crossmatch process to yield more useful results and target higher values claims (potential overpayments) for review. Finally, the criteria for review will be placed in a manual that includes all exceptions so that the wage crossmatch process is accurately described for future auditors.

Finding #	State Agency/Finding	Status of Finding/Agency Comments
2022-014 Since 2021	Labor Lack of Payroll Segregation of Duties and Other Issues	**Status**: Completed **Reasons for Recurrence:** E1 Payroll module does not have segregation of duties. **Partial Corrective Action Taken:** The State' s accounting system, EnterpriseOne (El), does not have an established segregation of duties for payroll processing. Therefore, employees with access to process payroll are able to perform all procedures without a secondary individual being required to approve those transactions. Accordingly, the Department should have compensating procedures in place, such as a documented review of the final payroll register, along with changes to pay rates and other payroll information, by an individual without payroll access to ensure that no one individual is able to conceal errors or irregularities. The Department worked with the Department of Administrative Services (DAS) to process payroll through the Shared Services program. The Department prepared the payroll, and DAS was involved in making necessary changes to, as well as performing external reviews of, the payroll - including certification that the payroll was ready to be posted to the general ledger. However, the Department did not perform a reconciliation of the payroll register to the general ledger to ensure that payroll processed by DAS was accurate and complete after each pay period. Upon request from the APA, the Department provided a reconciliation for the February 2022 pay period tested, which was completed after the fiscal year concluded. Furthermore, seven Department employees had access to perform all procedures within the system, including one-time overrides of pay rates, hours worked, and type of earnings paid (such as vacation, sick leave, etc.), and there were no documented procedures to identify unapproved changes by those individuals.
2022-015	Military Errors in Financial Information	**Status:** Ongoing **Reason for Recurrence:** Corrected Clerical Error before 30 June fiscal year end. **Partial Corrective Action Plan:** NA **Corrective Action Planned:** This issue was addressed and corrected by the Department of Administrative Services. NEMA has enacted a policy to prevent recurrence. Policy is on file.

Finding #	State Agency/Finding	Status of Finding/Agency Comments
2022-016 Since 2021	Transportation Year-End Financial Information Errors	**Status**: In Process **Reasons for Recurrence:** Staffing turnover **Partial Corrective Action Taken:** Controller Division drafted Standard Operating Procedure (SOP) for the ACFR process. **Corrective Action Planned:** Standard Operating Procedure for generating accrual response forms will be implemented and revised as needed.

FINDINGS RELATING TO FEDERAL AWARDS:

Nebraska Department of Administrative Services

Finding#	AL/Compliance	Status of Finding/Agency Comments
2022-017 Since 2015	Various, 93.778 Allowable Costs	**Status**: Partially completed; the State Accounting cash balance is within a 60-day operating level. **Reasons for Recurrence:** The Building and Grounds security allocation is based on a management business decision. The Print Shop lacked the data needed to substantiate current rates at the individual service line level. **Partial Corrective Action Taken:** As of July 2023, the Print Shop has developed a costing methodology and drafted rate calculations by line of service.
2022-018 Since 2015	Various, 93.767, 93.778 Reporting	**Status**: Completed
2022-019	Various, 84.010, 93.568, 93.659 Cash Management	**Status**: Completed

Nebraska Department of Correctional Services

Finding#	AL/Compliance	Status of Finding/Agency Comments
2022-020	21.027 Allowability	**Status:** Do not agree with findings. NDCS believes they were allowable expenses under the federal regulations for the CSLFRF and Final Rule. No further action is necessary.

STATE OF NEBRASKA
Summary Schedule of Prior Audit Findings

Nebraska Department of Education

Finding#	AL/Compliance	Status of Finding/Agency Comments
2022-021	84.010 Allowability/ Subrecipient Monitoring	**Status**: Partially complete. **Reasons for Recurrence:** N/A **Partial Corrective Action Taken:** NDE contacted the two subrecipients noted in the finding and provided them technical assistance and offered to discuss any questions that they had. Time and effort guidance is available on NDE's website. NDE hired a Grants Management Training Specialist in February 2023. Technical assistance is provided during each fiscal monitoring review and guidance documents are provided after each fiscal monitoring review conducted. Written deficiencies requiring corrective action are clearly identified in the fiscal monitoring exit letter. **Corrective Action Planned:** Time and effort technical assistance documents will be sent to all school districts and ESUs at the end of July or early August 2023, so all new district staff are made aware of the compliance requirements.
2021-028	84.425C Allowability/ Cash Management	**Status**: Completed

Nebraska Department of Health and Human Services

Finding#	AL/Compliance	Status of Finding/Agency Comments
2022-022 Since 2021	93.575 Allowable Costs	**Status**: Complete **Reasons for Recurrence:** Human error
2022-023 Since 2013	Various, 10.561, 93.558, 93.566, 93.575 Allowable Costs	**Status**: In process **Reasons for Recurrence:** Staff turnover **Partial Corrective Action Taken:** DHHS Finance is currently working with HR and IST in order to improve upon the process of determining how staff are paid during the hiring process and when turnover occurs. **Corrective Action Planned:** Ongoing communication and changes.

Nebraska Department of Health and Human Services (Continued)

Finding#	AL/Compliance	Status of Finding/Agency Comments
2022-024 Since 2021	10.561, 93.558, 93.658 Allowable Costs	**Status**: In process **Reasons for Recurrence:** Staff turnover **Partial Corrective Action Taken:** DHHS continues to train staff on the proper RMTS procedures, which includes correct method of validation. **Corrective Action Planned:** Ongoing training
2022-025 Since 2014	93.069, 93.889 Allowability/ Subrecipient Monitoring	**Status**: In process **Reasons for Recurrence:** Staff turnover and pandemic **Partial Corrective Action Taken:** We have the fiscal monitoring position for PHEP and HPP filled and trained, which is allowing us to plan for and complete ongoing monitoring. Communications regarding resolution of FY22 single audit findings have begun to go out to subrecipients included in the questioned costs. We are also beginning current year sampling requests for ongoing monitoring. **Corrective Action Planned:** Ongoing monitoring of subrecipients
2022-026 Since 2021	93.069 Matching/ Reporting	**Status**: Complete, Agency did not agree
2022-027 Since 2021	93.323 Allowability/ Subrecipient Monitoring	**Status**: Complete
2021-037	93.301 Allowability/ Subrecipient Monitoring	**Status**: Complete
2022-028	93.558 Reporting	**Status**: Complete
2022-029	93.558 Allowability/ Eligibility	**Status**: In process **Reasons for Recurrence:** N/A **Partial Corrective Action Taken:** DHHS is reviewing the underlying coding that pulls this report and make any changes based on findings. **Corrective Action Planned:** Ongoing review occurring

Nebraska Department of Health and Human Services (Continued)

Finding#	AL/Compliance	Status of Finding/Agency Comments
2022-030	93.558 Allowability/ Eligibility	**Status**: Complete
2022-031	93.558 Reporting	**Status**: In process **Reasons for Recurrence:** N/A **Partial Corrective Action Taken:** TANF requested N-FOCUS to make it a priority project, so errors do not occur in the future. **Corrective Action Planned:** The IT work on corrections to the ACF 199/209 reports remain pending.
2022-032 Since 2021	93.568 Eligibility	**Status**: In process **Reasons for Recurrence:** Human error **Partial Corrective Action Taken:** We are currently working with our federal partners regarding some of the guidance that is being updated. **Corrective Action Planned:** Changes are still being made to the LIHEAP Desk Aid.
2022-033 Since 2021	93.568 Reporting	**Status**: In process **Reasons for Recurrence:** Miscommunication from the Federal Partners and disagreed with the previous finding. **Partial Corrective Action Taken:** Developed a process with NDEE for addressing the FFATA Reporting in a timely manner. **Corrective Action Planned:** The logic in the household report is being worked on by technical staff.

Nebraska Department of Health and Human Services (Continued)

Finding#	AL/Compliance	Status of Finding/Agency Comments
2022-034 Since 2007	93.575, 93.596 Allowability/ Eligibility	**Status**: In process **Reasons for Recurrence:** Ineffective review of claims. **Partial Corrective Action Taken:** 'Quick tips' and tools addressing eligibility issues for field staff have been completed. CCDF program staff are reviewing monthly reviews with high billed hours. If billing errors are identified, an overpayment is established and sent to the provider for recoupment. **Corrective Action Planned:** New provider handbook is being created and slated to be completed and launched summer 2023. DHHS is still changing the current billing structure from hours and days to half-days and full-days. This should simplify billing and calculation errors.
2022-035 Since 2017	93.575, 93.596 Special Tests	**Status**: In process **Reasons for Recurrence:** Agency partially agreed with finding. **Partial Corrective Action Taken:** DHHS has updated its Policy and Procedure for Fire and Sanitation Referrals. **Corrective Action Planned:** DHHS will continue to complete the statutory childcare inspection requirements.
2022-036 Since 2016	93.575 Period of Performance	**Status**: Complete **Reasons for Recurrence:** Timing of the audit
2022-037 Since 2021	93.575, 93.596 Special Tests	**Status**: In process **Reasons for Recurrence:** Agency partially agreed with finding. **Partial Corrective Action Taken:** DHHS has created guidance document regarding the timeliness of investigations of the Child Care Subsidy Program. **Corrective Action Planned:** Internal review still needs to be completed on the guidance and then it will be presented to investigations staff.
2022-038	93.575 Special Tests	**Status**: Complete

Nebraska Department of Health and Human Services (Continued)

Finding#	AL/Compliance	Status of Finding/Agency Comments
2021-047 Since 2018	93.674 Allowability/ Subrecipient Monitoring	**Status**: Complete **Reasons for Recurrence:** The Department's responsibility to address the impact of Covid-19 temporarily affected the completion of monitoring during this State fiscal year.
2022-039 Since 2014	93.778 Allowability	**Status**: In process **Reasons for Recurrence:** Procedures were not adequate to prevent and/or detect errors. **Partial Corrective Action Taken:** Training was completed and resource guides are being updated regularly. **Corrective Action Planned:** DHHS is engaging the vendor to explore technical options to resolve any technical related issues identified in the report and develop any additional quality assurance measures necessary when a technical solution is not achievable in the short term.
2022-040 Since 2017	93.778 Allowability/ Eligibility	**Status**: Completed **Reasons for Recurrence:** Human error
2022-041 Since 2017	93.778 Special Tests	**Status**: Completed **Reasons for Recurrence:** Corrective action was still in process when audit started.
2022-042 Since 2019	93.767, 93.778 Special Tests	**Status**: In process **Reasons for Recurrence:** Partially disagreed with finding. **Partial Corrective Action Taken:** Developing educational materials about the requirements to disclose managing employees. **Corrective Action Planned:** Reviewing the managing employee information providers have disclosed.
2022-043 Since 2020	93.778 Allowability	**Status**: Complete **Reasons for Recurrence:** Procedures were not adequate to ensure that monthly progress reports were properly completed and on file.

Nebraska Department of Health and Human Services (Concluded)

Finding#	AL/Compliance	Status of Finding/Agency Comments
2022-044 Since 2021	93.778 Special Tests	**Status**: In process **Reasons for Recurrence:** The Agency does not have adequate policies and procedures to ensure that required managed care financial audits are completed timely and in accordance with Federal regulations. **Partial Corrective Action Taken:** MCO Financial Audits are currently being completed by a third-party vendor for the three HH MCOs and the Dental PAPH. The department is holding regular meetings with the vendor to ensure that these are completed. **Corrective Action Planned:** DHHS is amending the contracts to ensure the MCO and PAHP audited financial reports are conducted in accordance with generally accepted accounting principles (GAAP) in the future.
2022-045	93.778 Special Tests	**Status**: In process **Reasons for Recurrence:** N/A **Partial Corrective Action Taken:** Administrator is reviewing cases. **Corrective Action Planned:** Ongoing supervision

Nebraska Department of Labor

Finding#	AL/Compliance	Status of Finding/Agency Comments
2022-046 Since 2020	17.225 Allowability/ Eligibility	**Status**: Completed **Reasons for Recurrence:** NDOL has multiple procedures in place to prevent and detect overpayments and conducts all crossmatches required by USDOL, including but not limited to the State and National Directories of New Hires and the Social Security Administration SSN, death and prisoner data bases. NDOL is meeting or exceeds federal requirements. The NCJIS prisoner crossmatch exceeds federal requirements. NCJIS records are supposed to contain all incarceration and release records for state and county correctional facilities. The one inmate in question was not listed as incarcerated in the SSA prisoner crossmatch and was reflected as released from incarceration in NCJIS records. The eligibility determination was based upon that NCJIS record. The state employee crossmatch is not federally required but is conducted as a best practice. NDOL will review the current state employee crossmatch process to determine if it is running as intended and whether adjustments to the process need to occur. Adjudicators are trained to review employer responses for separation in accordance with ETA Handbook 401, Edition 5. Adjudicator errors occur, but it is the result of human error rather than a systemic design flaw. **Corrective Action Planned:** NDOL will work to ensure that investigations are appropriately set and timely resolved.
2022-047 Since 2021	17.225 Special Tests	**Status**: Completed **Reasons for Recurrence:** The process currently being used by NDOL is that UI staff submit the RESEA report. In the USDOL Final Determination for FY 2021, USDOL stated that: In response to the Initial Determination (ID), the SON stated they have moved their report submission to a UI Program Supervisor. The grantee's UI Program Supervisor is responsible for submitting all Federal unemployment reports. Prior to submitting the report, the program supervisor reaches out to the impacted program supervisors to verify accuracy of the report. This is done via e-mail with a deadline response time provided. Specific to this report, verification is done through the above process with both UI and Reemployment Services supervisors prior to submission. **Determination**: Based on the above, ETA has determined the finding is **corrected.** **Partial Corrective Action Taken:** The corrective action plan has been completed and approved by USDOL.

Nebraska Department of Labor (Concluded)

Finding#	AL/Compliance	Status of Finding/Agency Comments
2022-048	17.225 Special Tests	**Status**: In process **Reasons for Recurrence:** The UI tax system currently tracks the amounts owed by individual employers and issues an ETA 581 report which lists aggregated employer liability data on quarterly basis. That aggregated data can be reviewed within the UI tax system on an employer, by employer basis. The Agency recognizes a desire for the Tax System to provide a specific report that can be run at any time and provide Tax Contribution Receivables. NDOL is working with the software vendor to provide additional employer liability reporting capabilities. **Corrective Action Planned:** The Agency is working with the vendor to better identify, and report amounts in the Tax Systems.

Nebraska Military Department

Finding#	AL/Compliance	Status of Finding/Agency Comments
2022-049	12.400 Suspension & Debarment	**Status:** Complete **Reason for Recurrence:** Not a recurrence **Partial Corrective Action Plan:** Review procedures for processes where Contracting Officers are logging into the System for Award Management website, looking up the Contractor or Architect and Engineer to ensure that they are not barred. **Corrective Action Planned:** Contracting Officers are logging into the System for Award Management website, looking up the Contractor or Architect and Engineer to ensure that they are not barred. We are taking a screen shot of the web site, printing it off and attaching it to our digital/hard copy files.

Nebraska Military Department (Continued)

Finding#	AL/Compliance	Status of Finding/Agency Comments
2022-050 Since 2019	12.401 Cash Management/ Reporting	**Status**: Ongoing **Reasons for Recurrence:** 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 expenditures in order to drawdown adequate federal funds and yet in some cases, utility costs and building repair and maintenance costs, for example, exact amounts are not known at the time of request for funding. 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 outlines in National Guard Regulation 5-1 is a more appropriate standard for the drawdown and disbursement of funds. **Partial Corrective Action Taken:** Coordination with Federal United States Property Officer Nebraska and Nebraska Military Department Agency Controller to concur on a way forward. **Corrective Action Planned:** The Agency will continue to seek guidance and will work with agents of Cash Management Improvement Act agreement between the State of Nebraska and the U.S. Department of Treasury, the State Treasurer, the Director of Administrative Services, the Assistant Commissioner, and Revenue Collections Management Bureau of Fiscal Service 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.

Nebraska Military Department (Continued)

Finding#	AL/Compliance	Status of Finding/Agency Comments
2022-051 Since 2021	21.023 Allowability/ Earmarking	**Status**: The Military Department does not agree with this finding. **Reasons for Recurrence:** The State as the Grantee was able to demonstrate that the administrative costs are related to the delivery of the program in a timely fashion and is aligned with the US Treasury Guidance. **Partial Corrective Action Taken:** Vendor performance was monitored through twice-weekly status meetings, bi-weekly executive status briefings with executives across multiple agencies, bi-weekly Executive Steering Committee meetings, and review of detailed invoices. All these procedures led to the first year of the ERAP program coming in $1.6 million under the contractual amount. **Corrective Action Planned:** N/A, the state complied with the procurement standards set forth in 2 CFR 200.317-200.327, including expected contract provisions, key programs assumptions, and not to exceed thresholds.
2022-052 Since 2021	21.023 Allowability/ Eligibility	**Status**: The Military Department does not agree with this finding. **Reasons for Recurrence:** The Military Department does not agree with this finding. **Partial Corrective Action Taken:** The State has implemented a strong system of internal controls to determine eligibility. **Corrective Action Planned:** N/A, the US Treasury response letter stating our admin expenses were attributable to the execution of ERA1 program is on file.
2022-053	21.023 Reporting	**Status**: Initial award adjusted by U.S. Treasury, no further action.
2022-054	21.026 Allowability/ Eligibility	**Status**: Corrected by ongoing internal monitoring with policies and procedures in place. **Reasons for Recurrence:** Not a recurrence **Partial Corrective Action Taken:** Coaching was provided to the appropriate review staff to correct future risk of spouse inclusion. **Corrective Action Planned:** Staff Training to ensure if applicant marital status is noted as married, a co-applicant signature and income verification needs to occur.

Nebraska Military Department (Concluded)

Finding#	AL/Compliance	Status of Finding/Agency Comments
2022-055	21.026 Subrecipient Monitoring	**Status**: Corrected by ongoing internal monitoring with policies and procedures in place. **Reasons for Recurrence:** Not a recurrence **Partial Corrective Action Taken:** The Military Department will use the subrecipient policies and procedures it has in place to continue to monitor the performance of NIFA and ensure that Federal guidelines are followed, and requirements are met. **Corrective Action Planned:** The Military Department will modify the memorandum of Understanding between the parties to identify NIFA as a subrecipient and advise them of any additional requirements. The Military Department will also submit a FFATA report regarding the NIFA award requirements.

Nebraska Department of Transportation

Finding#	AL/Compliance	Status of Finding/Agency Comments
2022-056	20.205 Subrecipient Monitoring	**Status**: In Process **Reasons for Recurrence:** N/A **Partial Corrective Action Taken:** Local Assistance Division has worked with Legal to draft a supplement agreement which includes all required information. **Corrective Action Planned:** Once the draft is approved, new supplemental agreements will be generated and issued for current active projects.
2020-065 Since 2018	20.505 Allowability/ Subrecipient Monitoring	**Status**: Completed **Reasons for Recurrence:** Working with Federal Transit Administration to address concerns.
2022-057 Since 2013	20.509 Allowability/ Subrecipient Monitoring	**Status**: In Process **Reasons for Recurrence:** NDOT Transit staff released an invoice best practices manual. **Partial Corrective Action Taken:** NDOT Transit staff released an invoice best practices manual. **Corrective Action Planned:** NDOT Transit staff will continue to look for ways to improve processes and educate transit recipients.

Nebraska Department of Transportation (Concluded)

Finding#	AL/Compliance	Status of Finding/Agency Comments
2022-058 Since 2021	20.933 Reporting	**Status**: Completed **Reasons for Recurrence:** Pending guidance from Federal Highway Administration.