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**Audit Report of the**  
**Nebraska Department of Correctional Services**  
**July 1, 2000 through June 30, 2001**

## Report Highlights

### Comments and Recommendations

- Audit Delays
- Federal Surplus Property
- Payroll Procedures
- Fixed Assets
- Disbursements
- Receipts
- Canteen Subsidies
- Inmate Trust Funds

The Department of Correctional Services (DCS) has the responsibility for custody, control, correctional treatment, training, and rehabilitation of committed persons to prepare them for lawful and productive community living. The Governor appoints the Director. DCS operating funds come from State general funds, supplemented by Federal funds and certain cash funds. DCS maintains and administers the Nebraska State Penitentiary, the Lincoln Correctional Center, the Diagnostic and Evaluation Center, and the Community Corrections Center, all located in Lincoln, as well as the Omaha Correctional Center, the Community Corrections Center in Omaha, the Hastings Correctional Center, the Nebraska Correctional Center for Women in York, the Nebraska Correctional Youth Facility in Omaha, the Work Ethic Camp in McCook, and the Tecumseh State Correctional Institution. DCS also supervises adults on parole, administers parole services, and operates Cornhusker State Industries and Federal Surplus Property.

Our report included twenty-one Comments and Recommendations outlining various concerns. The Comments and Recommendations were based upon auditing standards relating to internal controls and compliance with State laws. Specific areas of concern included:

- The audit fieldwork was performed with great difficulty and delay because requested records and financial data were not received as agreed upon at the entrance conference. Although DCS made efforts to get the records and financial data to the auditor as agreed, the original time frames were in

some cases exceeded by weeks, and in one case the financial data was never obtained.

- The Federal Surplus Property fund of DCS is an internal service fund. There are specific accounting standards this fund is required to follow under Generally Accepted Accounting Principles (GAAP). DCS records were not adequate to prepare these financial statements in accordance with GAAP.

- DCS spent more than \$5.5 million in the payment of medical claims for inmates. The DCS review of inmate medical claims could be improved by ensuring documents are properly approved, and by having someone with expertise and knowledge of medical charges review claims to ensure all amounts billed to the State are proper charges.. The report also included four additional Comments and Recommendations relating to Disbursements.

- DCS did not have documentation to support the maintenance assessment fees it charged certain inmates. The maintenance fees charged have remained unchanged for approximately 10 years.

- During the fiscal year ending June 30, 1998 audit of DCS, the canteen operations run for inmates were being subsidized by the General Fund, and there was no documentation to support why this was done or the level of the subsidy being provided. DCS continued to use General Fund money to subsidize the canteen operations, and had not developed documentation to support this subsidy.

- The report included additional Comments and Recommendations: six relating to Payroll Procedures, three in relation to Fixed Assets, five pertaining to Disbursements, and three with concerns regarding Receipts.

We have detailed our findings, including the Department's responses, in the Comments and Recommendations section of the report. See our website at [www.auditors.state.ne.us](http://www.auditors.state.ne.us)

**Average Annual Cost per Inmate**

