



**KATE WITEK, AUDITOR OF PUBLIC ACCOUNTS**  
**STATE CAPITOL, SUITE 2303**  
**LINCOLN, NEBRASKA 68509**  
**(402) 471-2111**

**Audit Report Highlights of the  
 Nebraska Department of Administrative Services  
 July 1, 1999 through June 30, 2000**

**Report Highlights**

**Selected Comments & Recommendations**

- Bidding Process
- Monitoring of Claims Processing
- Monitoring of Claims Paid
- Actuarial Study of Workers' Compensation
- Excessive A-87 Fund Balance
- A-87 Retained Earnings Balance
- Appropriations
- Contractual Services
- Original Capitol Furniture

The Department of Administrative Services is responsible for the development and maintenance of a modern system of budgetary, inventory and financial accounting and modern and economical methods and systems for record keeping, accounting, and expenditure planning and control; centralized direction of services and service agencies; the development and operation of organizational and procedural innovations to provide acceptable internal control of the handling and processing of public funds; and providing assistance to the Governor in the execution of the financial policies of the state. The Department coordinates and administers seventeen divisions.

Our audit report included thirty-seven Comments and Recommendations outlining various concerns relating to internal controls and compliance with State and Federal laws. Specific areas of concern included:

- The Building Division did not follow the bidding process as required by state statute for a construction project with an estimated cost of \$1.6 million.
- Based on our review of the claims process for property, automobile liability, automobile physical damage, and workers' compensation, we believe the Risk Management Division's overall internal controls were inadequate.
- Our review of the claims process by the Personnel Division revealed inadequate controls. Furthermore, a Statement of Auditing Standards (SAS) 70 report was not available from the vendor who provides claims processing services to the State.
- The Risk Management Division did not obtain assistance of an actuarial firm in the calculation of the liability or engage an independent firm to perform a review of the internal calculation to ensure the liability of workers' compensation claims were reported accurately for the State of Nebraska's Comprehensive Annual Financial Report (CAFR).
- Our review of the Transportation Services Bureau's fund balance revealed the Division was not in

compliance with the Office of Management and Budget (OMB) Circular Number A-87 regarding working capital reserves. As of fiscal year ending June 30, 2000, the division had an excessive fund balance exceeding \$3.6 million, or a reserve of approximately 10 months.

- OMB Circular A-87 requires internal service funds to maintain a working capital reserve as part of retained earnings of no more than 60 days cash expenses for normal operating purposes. We noted an excessive balance of \$1,101,000 in the Materiel Division's internal service funds.
- We noted in the Information Management Services Division (IMS), information was not available to determine whether the specific restrictions imposed by 1999 Neb. Laws LB 637A, Section 4, which appropriated \$6,773,700 to the Information Management Revolving Fund, were met.
- We noted the IMS Division entered into contracts for services which were not consistent with sound accounting practices. The contracts did not specifically state time periods for performance, maximum allowable hours, or total dollar amounts.
- State Statute requires the Building Division to maintain an inventory of all original Capitol furniture. We noted the Building Division had done little to maintain an inventory of these furnishings since the original list was developed in the early 1980's.

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



