

**AUDIT REPORT
OF THE
NEBRASKA FOSTER CARE REVIEW BOARD**

JULY 1, 1999 THROUGH JUNE 30, 2000

NEBRASKA FOSTER CARE REVIEW BOARD

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NEBRASKA FOSTER CARE REVIEW BOARD

BACKGROUND

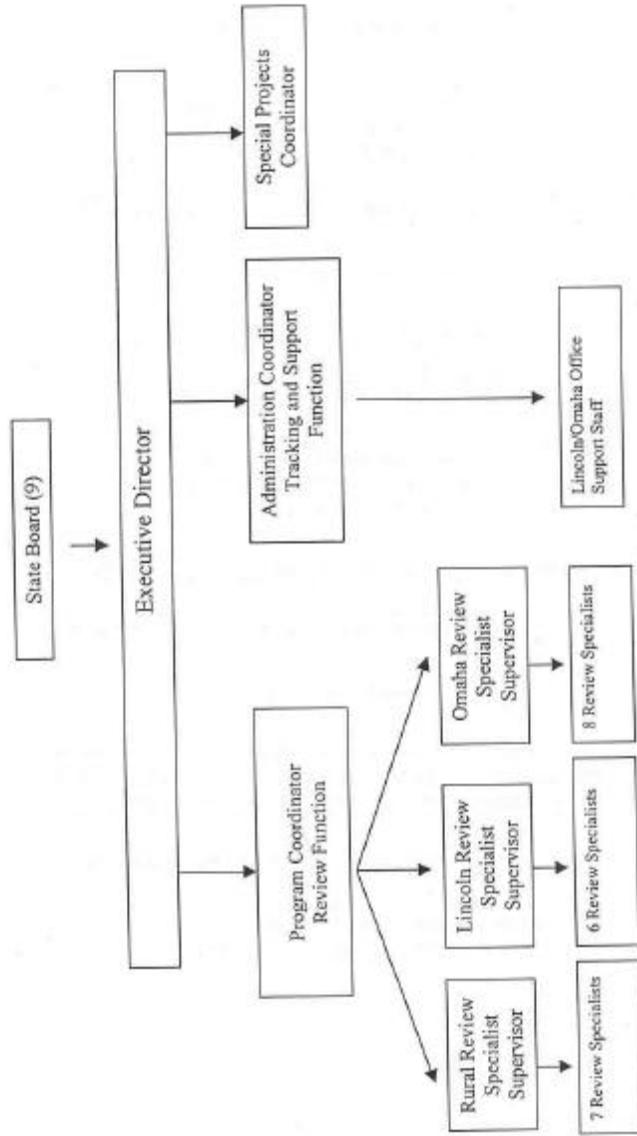
The State Foster Care Review Board (Board) was established by the Legislature in 1982. The Board is responsible for conducting periodic reviews which meet the requirements of the Federal Adoption Assistance and Child Welfare Act of 1980, selecting local foster care review board (Local Board) volunteer members, developing procedures and training programs for Local Boards, maintaining a central registry of all children in out-of-home care, and studying and distributing data on children in foster care.

The State Board consists of nine members selected by the Governor and confirmed by the Legislature. The State Board reviews the activities of fifty Local Boards located in communities across the State. The Local Boards are responsible for reviewing cases of children placed in out-of-home care. Each Local Board consists of at least five members.

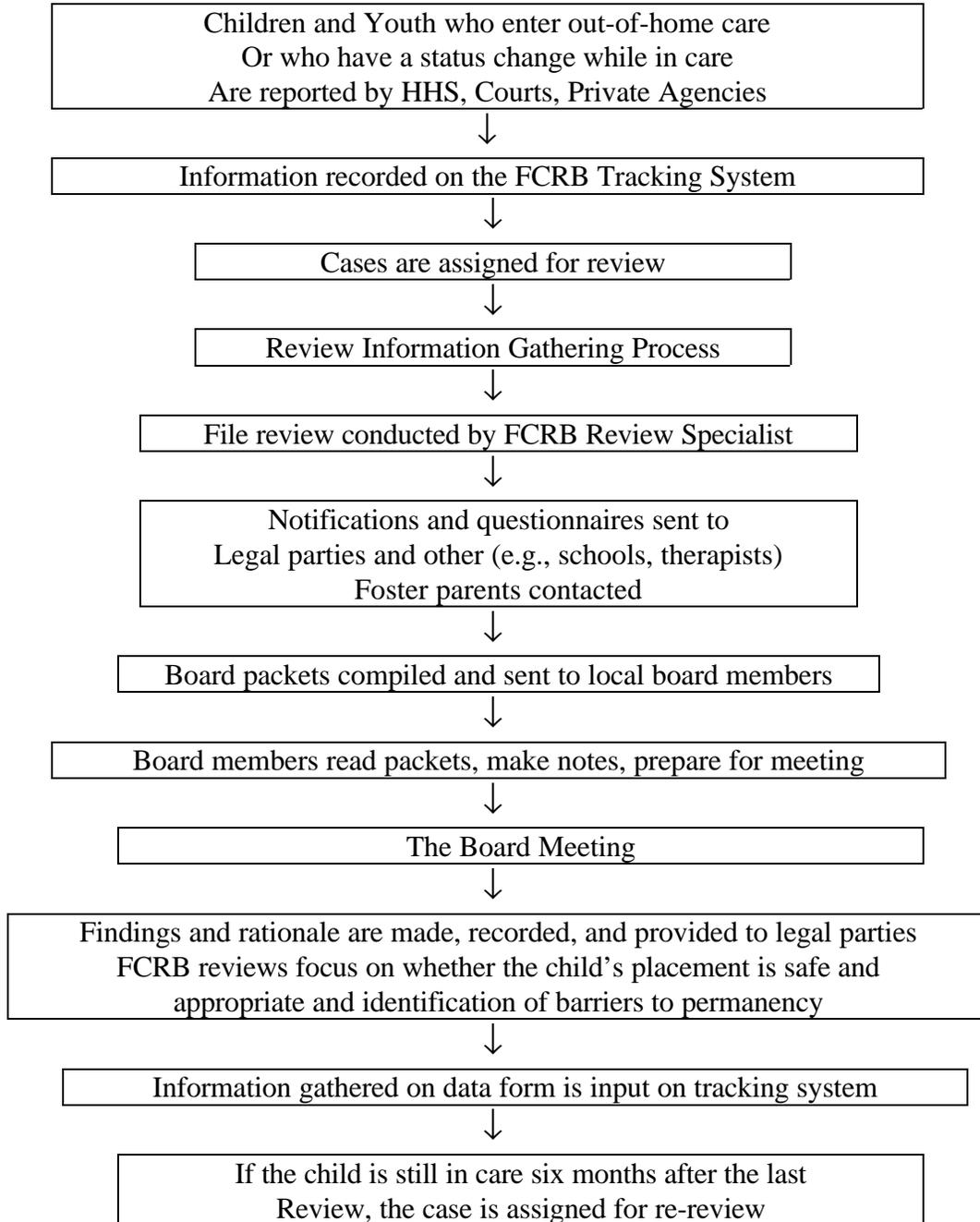
MISSION STATEMENT

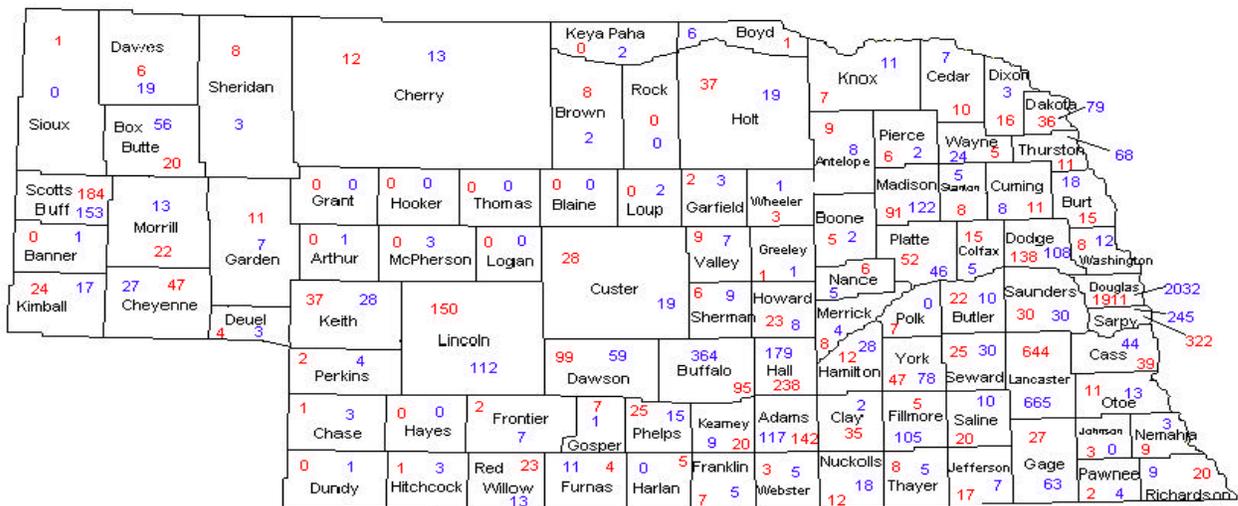
The mission of the State Foster Care Review Board is to ensure the best interests of children in out-of-home care are being met through external citizen review, monitoring facilities that house children and youth, maintaining up-to-date data on a statewide tracking system, and disseminating data and recommendations through an Annual Report.

ORGANIZATIONAL CHART



FOSTER CARE REVIEW PROCESS





Blue #'s indicate the number of children placed in each county.
 Red #'s indicate the number of children per the county of the court that placed the child in care.
 #'s are as of December 31, 1999 per FCRB annual report

<u># Of Local Boards</u>	<u>Area Served</u>
19	Omaha
6	Lincoln
2	Sarpy
2	Grand Island
2	Southeast Nebraska
1	Hastings
1	Columbus
1	Norfolk
1	South Sioux City
2	Fremont
1	York
1	Pierce
1	O'Neill
1	Seward
2	Kearney
2	North Platte
1	Lexington
1	Ogallala
1	Scottsbluff
1	Alliance
1	Gering
<hr/>	
50	Total Local Volunteer Boards

SUMMARY OF COMMENTS

During our audit of the Nebraska Foster Care Review Board, we noted certain matters involving the internal control over financial reporting and other operational matters which are presented here. Comments and recommendations are intended to improve the internal control over financial reporting, ensure compliance, or result in operational efficiencies.

1. **Disbursements:** Adequate documentation was not on file and/or noncompliance with State laws was noted for 23 of 39 (59%) disbursement documents tested.
2. **Personal Phone Calls:** The Executive Director did not reimburse the State for personal calls. This was also noted in our prior audits in 1996 and 1998.
3. **Cash Fund:** Fees collected and deposited to the cash fund in fiscal years 1997 through 2000 have not been used for administration costs as required by State Statute.
4. **Computer Passwords:** The computer password for a terminated employee was used, allowing unauthorized access to payroll records.
5. **Employee Leave:** Unused vacation leave was not lapsed as required by law, and advanced sick leave was not reimbursed.
6. **Fixed Assets:** The Fixed Asset Listing had several inaccuracies, resulting in an increased risk of loss or misuse of State property.
7. **Federal Compliance:** Case reviews did not include projections of the likely dates the children would have been returned home or placed for adoption, as required by Federal and State law.
8. **Receipts:** Documentation for a voided receipt was not adequate.
9. **Payables:** Fiscal year 2000 obligations paid in fiscal year 2001 were not properly identified.

More detailed information on the above items is provided hereafter. It should be noted this report is critical in nature since it contains only our comments and recommendations on the areas noted for improvement.

Draft copies of this report were furnished to the Board to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. All formal responses received have been incorporated into this report. Responses have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were not verified at this time but will be verified in the next audit.

We appreciate the cooperation and courtesy extended to our auditors during the course of the audit.

COMMENTS AND RECOMMENDATIONS

1. Disbursements

The Board's lack of proper internal control over disbursements and noncompliance with State Statutes results in an increased risk of loss or misuse of State funds. Our 1996 and 1998 audits noted several instances of noncompliance, inadequate documentation, and unreasonable or unallowable disbursements. During our current audit we tested 39 documents. We noted the following:

- ◆ Food, costing \$29, for staff meetings was paid on one document tested. This was noted in our 1996 and 1998 audits. The Board indicated in 1998 that they had discontinued this practice.
- ◆ One document indicated a reimbursement of \$58 for postage; however, receipts were only available for \$42. A similar finding was noted in our 1996 and 1998 audits.
- ◆ Two documents indicated payment for meals which exceeded the number of attendees documented. There were 58 attendees listed and 81 meals were paid, resulting in questioned costs of \$134.
- ◆ One document showed payment of \$89 for a hotel room that was not used.
- ◆ Six documents exceeded meal reimbursement limits for a total of \$32.
- ◆ Sales tax was reimbursed on three documents. This was noted in our 1996 and 1998 audits.
- ◆ Six documents were coded incorrectly. This was noted in our 1996 and 1998 audits.
- ◆ The purpose of travel was not documented for two expense reimbursements. This was noted in our 1996 and 1998 audits.
- ◆ Travel times were not documented on five expense reimbursements. This was noted in our 1996 and 1998 audits.
- ◆ Four documents claimed mileage in excess of map miles.

Destination (From/To/Return)	Miles Claimed	Miles per Map
Omaha/Blair/Omaha	91	62
Wayne/Norfolk/Wayne	72	62
Wayne/O'Neill/Wayne	218	194
Wayne/Dakota City/Wayne	88	78
Wayne/Lincoln/Wayne	284	244
Norfolk/Pender/Norfolk	130	94
Scottsbluff/Lincoln/Scottsbluff	864	792
Total	1,747	1,526

COMMENTS AND RECOMMENDATIONS

1. Disbursements (Concluded)

Inadequate documentation and/or noncompliance was noted for 23 of 39 documents tested, a 59% error rate.

Good internal control requires expenditures be supported by adequate documentation. Good internal control also requires a plan of organization, procedures, and records designed to provide reliable financial records and ensure compliance with regulations. Neb. Rev. Stat. Section 81-1174, R.R.S. 1999, requires expense reimbursement requests to be “fully itemized, including when, where, and why the expense was incurred and the actual amount involved. When reimbursement is requested for mileage by automobile, . . . the points between which travel occurred, the times of arrival and departure, and the necessity and purpose of such travel shall be shown on such request.” Neb. Rev. Stat. Section 81-1176(1) R.R.S. 1999 limits mileage to actual miles by the most direct route.

The Nebraska Accounting System (NAS) Manual states agencies are exempt from sales tax. The NAS Manual also prohibits providing meals for staff meetings. Board policies and the NAS Manual also provide meal reimbursement guidelines which should be adhered to. Federal cost principles Circular A-87 requires costs to be reasonable and necessary, be authorized or not prohibited under State regulations, and be consistent with policies and procedures that apply to other activities of the government unit.

We recommend the Board implement procedures to ensure adequate documentation is maintained and to ensure compliance with State Statutes and regulations.

2. Personal Phone Calls

Neb. Rev. Stat. Section 81-1120.27(1), R.R.S. 1999, states, “The facilities of the state’s telecommunications systems are provided for the conduct of state business. . . . The use of the state’s telecommunications systems for essential personal business shall be kept to a minimum and shall not interfere with the conduct of state business. Essential personal long-distance calls shall be either collect, charged to a third-party, nonstate number, or charged to a personal credit card.” Sound business practice requires charges for personal phone calls be reimbursed in a timely manner.

During our audit, we noted 34 calls for 74 minutes in personal calls charged to the Executive Director’s State phone during fiscal year 2000. This total amount paid by the State was \$11. The Director had not reimbursed the State for these calls. **This finding was also noted in our 1996 and 1998 audits.**

Personal use of the State’s telecommunication systems may result in a misuse of State funds.

COMMENTS AND RECOMMENDATIONS

2. Personal Phone Calls (Concluded)

We recommend the Executive Director make timely reimbursements to the State for all personal calls. We further recommend the Board take immediate action to ensure compliance with State Statutes.

3. Cash Fund

Neb. Rev. Stat. Section 43-1321, R.R.S. 1998, creates the Foster Care Review Board Cash Fund and requires the fund to be used for the administration of the Foster Care Review Act.

During our audit, we noted fees collected and deposited to the cash fund in fiscal years 1997 through 2000 have not been used for administration costs. Fees collected in fiscal year 2000 totaled \$1,319 and the cash fund balance at June 30, 2000 was \$10,450. No disbursements for administrative costs have been made in the past four fiscal years.

Noncompliance with section 43-1321 has resulted in more general fund appropriations (taxpayer support) than otherwise would have been required.

We recommend the Board make disbursements from the Foster Care Review Board Cash Fund to pay for administrative costs on a timely basis in accordance with State Statute.

4. Computer Passwords

Good internal control requires computer passwords be kept confidential to ensure proper segregation of duties and to prevent unauthorized access.

During our testing, we noted the employee inputting information to the State payroll computer system did not have access authorization, and one terminated employee was not removed from the authorized list in a timely manner. The employee without authorization was using the password of the terminated employee to gain access to the system.

The use of computer passwords that are not confidential and user-specific allows unauthorized access and circumvents the system controls, increasing the risk for loss or misuse of State funds.

We recommend the Board promptly notify the Department of Administrative Services when employees are removed or added as authorized users. We further recommend staff maintain confidential passwords and only access the system as authorized.

COMMENTS AND RECOMMENDATIONS

5. Employee Leave

Neb. Rev. Stat. Section 81-1328, R.R.S. 1999, requires vacation leave in excess of the maximum hours allowable be lapsed at year's end or be approved for carryover to the next year. Approval is to be limited to "special and meritorious cases" in order to avoid a "peculiar hardship," and, under Title 273 NAC 9-004.02, carry over vacation leave must be used within six months. Good internal control requires vacation leave and sick leave be monitored. Title 273 NAC 9-006.02 requires advanced leave to be approved by the agency head (not to exceed 80 hours), and employees shall reimburse the State for all unearned vacation and sick leave upon separation.

During our testing of employee leave, we noted the following:

- ◆ One employee was allowed to carry over 484 hours of vacation time without the appropriate approval. The maximum allowed under the State Personnel Rules is 280 hours.
- ◆ One employee was advanced sick leave without approval. The employee was also allowed to carry a negative sick leave balance in excess of the 80 hours prescribed by the State Personnel Rules. The employee resigned without notice, leaving a negative balance which is owed to the State.

We recommend the Board implement procedures to ensure vacation leave balances in excess of the maximum hours allowed are lapsed or properly approved. We also recommend the leave balance be corrected for the employee noted. We further recommend sick leave advanced be limited to 80 hours and approval be properly documented. Finally, we recommend the Board collect reimbursement of the amount owed to the State, as required by State Personnel Rules.

6. Fixed Assets

Neb. Rev. Stat. Section 81-1118.02(1), R.R.S. 1999, requires each agency to annually make an inventory of all property, including furniture and equipment, as of June 30. Section 81-1118.02(2) also requires the materiel administrator to take steps to recover any property lost or unaccounted for. The materiel administrator requires a written report be filed with the division within ten days of the incident or first awareness that the property was missing. Good internal control requires procedures to ensure the fixed asset listing filed is a complete and accurate listing of property in the possession or control of the agency. The listing should include the purchase date, and the cost of the item.

We noted the following:

- ◆ The fixed asset listing filed with the materiel division did not have the purchase cost listed for 39 items. The listing was later updated and purchase costs were included.

COMMENTS AND RECOMMENDATIONS

6. Fixed Assets (Concluded)

- ◆ Eight items did not have purchase dates, and nine items had an incorrect purchase date.
- ◆ Two items, computers listed at \$1,742 each, and listed as purchased in March 2000, could not be traced to a document.
- ◆ Three items - a computer, a file cabinet, and a printer - could not be traced to the fixed asset listing. Board staff indicated the printer had been lost when it was mailed to an employee working at a home office; however, the item was not reported as lost or stolen to the materiel division.
- ◆ One item purchased for \$771 was listed in the amount of \$995 on the fixed asset listing.

A similar finding was noted in our prior audit. Without proper controls over fixed assets, the risk of loss or misuse of State assets increases.

We recommend the Board implement procedures to ensure compliance with State Statutes and properly account for fixed assets.

7. Federal Compliance

42 U.S.C. Section 675(5)(B) of the Federal Adoption Assistance and Child Welfare Act of 1980 requires six-month reviews of foster children to include a projection of the likely date by which each child may be returned home or placed for adoption or legal guardianship. Under Neb. Rev. Stat. Section 43-1314.01, R.R.S., 2000, the Board is responsible for conducting periodic reviews which meet federal requirements for six month case reviews. The contract with the Nebraska Health and Human Services System (NHHS) provides for the Board to receive federal funds based on the percentage of federal cases reviewed.

We noted the following:

- ◆ For three of five case reviews tested, likely dates by which the child should have been returned home or placed for adoption or legal guardianship were not provided. Non-compliance with federal laws results in an increased risk of loss of federal funding. This was also noted in our prior audit report.
- ◆ We reviewed the funding type provided to NHHS for June 2000 for forty cases. Six cases listed as federal were actually state funded, and two cases listed as being state funded should have been federal. The Board reported a total of 175 federal and 228 state cases reviewed in June 2000. Inaccurate reporting of case types could result in a misallocation of funding.

COMMENTS AND RECOMMENDATIONS

7. Federal Compliance (Concluded)

We recommend the Board establish procedures to ensure compliance with State and Federal laws and work with the NHHS to ensure accurate reporting of case types.

8. Receipts

Good internal control requires procedures and records to safeguard assets and provide reliable financial records. During our testing of 35 receipts, we noted one receipt for \$75 was not deposited. The staff indicated the money for this receipt was returned and the receipt should have been voided. A similar finding was noted in the prior audit.

Without adequate controls over receipts there is an increased risk of loss or misuse of State funds.

We recommend that cash refunded subsequent to the issuance of a receipt be either witnessed by two employees and documented by their initials and an explanation of the situation, or that all copies of the original receipt be voided and maintained on file. We further recommend an individual independent of the receipt process periodically reconcile receipts to deposits.

9. Pavables

Nebraska Accounting System Procedure 173 requires documents for goods received in the prior fiscal year be identified. Agencies are required to operate within the appropriation limits set by the Legislature. Appropriations for programs funded from federal funds may be increased to the extent that receipts of federal funds exceed the original budget estimate.

During our review of disbursements paid in July and August 2000, we noted 24 documents for goods or services received in fiscal year 2000 that were not properly identified. We also noted the Board over-obligated the Federal Fund by \$6,822, but did not follow procedures to increase the appropriation limit.

We recommend the Board follow procedures to identify disbursements to the proper fiscal year. We also recommend the Board operate within the appropriation limit.

Foster Care Review Board's Response: The State Board takes seriously the issues brought forward by the audit even though you conclude in your draft report that the reportable conditions found during the audit would not be considered material weaknesses. To improve internal control over financial reporting, ensure compliance with state and federal law and/or improve operational efficiencies the Board's staff will strive to:

COMMENTS AND RECOMMENDATIONS

Foster Care Review Board's Response, Concluded:

- a. *If possible, make projections of the likely date a child would return home or placed for adoption when HHS or the Court have not done so for some reason and include this projected date on the Review Board's recommendation document to assure compliance with State and Federal law;*
- b. *Continue to implement the auditor's recommendations to improve internal control regarding disbursements, assets, and receipts to assure substantial statutory compliance; and*
- c. *Continue to utilize the procedures and policies put forth by the Foster Care Review Board's specific Personnel Manual including but not limited to policies concerning employee leave and essential personal phone calls.*

The Review Board continues to be concerned about the significant error rate of basic information, including IVE status, reported to the Review Board from N-Focus¹. The Board has worked to make HHS, Senators and the Governor aware of this situation. The Board will continue to work with HHS to improve the accuracy of the reporting of essential information including IVE status.

¹ *In 1999, 69.7% or 8,004 of the 11,480 status change reports given to the Review Board contained major errors or omissions in critical areas such as the child's name, date of birth, placement location and date, and/or identification of parents.*

STATE OF NEBRASKA
Auditor of Public Accounts



Kate Witek
State Auditor
kwitek05@nol.org

P.O. Box 98917
Suite 2303, State Capitol
Lincoln, NE 68509
402-471-2111, FAX 402-471-3301

NEBRASKA FOSTER CARE REVIEW BOARD

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of the Nebraska Foster Care Review Board as of and for the fiscal year ended June 30, 2000, as listed in the Table of Contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Also as discussed in Note 1, the financial statements present only the Nebraska Foster Care Review Board, and are not intended to present fairly the fund balances and the receipts and disbursements of the State of Nebraska in conformity with the cash receipts and disbursements basis of accounting.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund balances of the Nebraska Foster Care Review Board as of June 30, 2000, and the receipts and disbursements for the fiscal year then ended, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 17, 2000, on our consideration of the Nebraska Foster Care Review Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The report on compliance and on internal control over financial reporting is an integral part of a Government Auditing Standards audit and should be considered in conjunction with the report on the financial statements.

The accompanying combining statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

November 17, 2000

Pat Reding, CPA
Manager

NEBRASKA FOSTER CARE REVIEW BOARD
COMBINED STATEMENT OF ASSETS AND FUND BALANCES AND OTHER CREDITS
ARISING FROM CASH TRANSACTIONS
ALL FUND TYPES AND GENERAL FIXED ASSETS ACCOUNT GROUP
 June 30, 2000

	<u>Governmental Fund Types</u>		<u>Account Group</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>General Fixed Assets</u>	
<u>Assets</u>				
Cash in State Treasury	\$ -	\$ 10,450	\$ -	\$ 10,450
Deposit with Vendors	991	-	-	991
Property, Plant, and Equipment	-	-	159,070	159,070
 Total Assets	 <u>\$ 991</u>	 <u>\$ 10,450</u>	 <u>\$ 159,070</u>	 <u>\$ 170,511</u>
 <u>Fund Balances and Other Credits</u>				
Other Credits:				
Investment in Fixed Assets	\$ -	\$ -	\$ 159,070	\$ 159,070
Fund Balances:				
Reserved For Postage	991	-	-	991
Unreserved, Undesignated	-	10,450	-	10,450
 Total Fund Balances and Other Credits	 <u>\$ 991</u>	 <u>\$ 10,450</u>	 <u>\$ 159,070</u>	 <u>\$ 170,511</u>

See Notes to Financial Statements.

NEBRASKA FOSTER CARE REVIEW BOARD
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES**
For the Fiscal Year Ended June 30, 2000

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
RECEIPTS:			
Appropriations	\$ 1,063,335	\$ -	\$ 1,063,335
Intergovernmental	-	312,989	312,989
Sales and Charges	20	1,319	1,339
Miscellaneous	-	724	724
TOTAL RECEIPTS	<u>1,063,355</u>	<u>315,032</u>	<u>1,378,387</u>
DISBURSEMENTS:			
Personal Services	1,040,344	17,474	1,057,818
Operating	21,783	236,494	258,277
Travel	1,208	41,527	42,735
Capital Outlay	-	17,656	17,656
TOTAL DISBURSEMENTS	<u>1,063,335</u>	<u>313,151</u>	<u>1,376,486</u>
Excess of Receipts Over Disbursements	<u>20</u>	<u>1,881</u>	<u>1,901</u>
OTHER FINANCING SOURCES (USES):			
Sales of Assets	111	-	111
Deposits to State General Fund	(131)	-	(131)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(20)</u>	<u>-</u>	<u>(20)</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	-	1,881	1,881
FUND BALANCE, JULY 1, 1999	<u>991</u>	<u>8,569</u>	<u>9,560</u>
FUND BALANCE, JUNE 30, 2000	<u>\$ 991</u>	<u>\$ 10,450</u>	<u>\$ 11,441</u>

See Notes to Financial Statements.

NEBRASKA FOSTER CARE REVIEW BOARD
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 For the Year Ended June 30, 2000

	GENERAL FUND			CASH FUND		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:						
Appropriations		\$ 1,063,335			\$ -	
Intergovernmental		-			-	
Sales and Charges		20			1,319	
Miscellaneous		-			562	
TOTAL RECEIPTS		1,063,355			1,881	
DISBURSEMENTS:						
Personal Services		1,040,344			-	
Operating		21,783			-	
Travel		1,208			-	
Capital Outlay		-			-	
TOTAL DISBURSEMENTS	\$ 1,063,335	1,063,335	-	\$ 6,000	-	\$ 6,000
Excess of Receipts Over Disbursements		20			1,881	
OTHER FINANCING SOURCES (USES):						
Sale of Assets		111			-	
Deposit to State General Fund		(131)			-	
TOTAL OTHER FINANCING SOURCES (USES)		(20)			-	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		-			1,881	
FUND BALANCES, JULY 1, 1999		991			8,569	
FUND BALANCES, JUNE 30, 2000	\$	991		\$	10,450	

See Notes to Financial Statements.

(Continued)

NEBRASKA FOSTER CARE REVIEW BOARD
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 For the Year Ended June 30, 2000

	FEDERAL FUND			TOTAL (MEMORANDUM ONLY)		
		ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)		ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
	BUDGET			BUDGET		
RECEIPTS:						
Appropriations	\$	-		\$	1,063,335	
Intergovernmental		312,989			312,989	
Sales and Charges		-			1,339	
Miscellaneous		<u>162</u>			<u>724</u>	
TOTAL RECEIPTS		<u>313,151</u>			<u>1,378,387</u>	
DISBURSEMENTS:						
Personal Services		17,474		\$ 1,095,656	1,057,818	\$ 37,838
Operating		236,494		237,368	258,277	(20,909)
Travel		41,527		34,500	42,735	(8,235)
Capital Outlay		<u>17,656</u>		<u>20,682</u>	<u>17,656</u>	<u>3,026</u>
TOTAL DISBURSEMENTS	\$	<u>318,871</u>	\$ 5,720	<u>1,388,206</u>	<u>1,376,486</u>	<u>11,720</u>
Excess of Receipts Over Disbursements		<u>-</u>			<u>1,901</u>	
OTHER FINANCING SOURCES (USES):						
Sale of Assets		-			111	
Deposit to State General Fund		<u>-</u>			<u>(131)</u>	
TOTAL OTHER FINANCING SOURCES (USES)		<u>-</u>			<u>(20)</u>	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		-			1,881	
FUND BALANCES, JULY 1, 1999		<u>-</u>			<u>9,560</u>	
FUND BALANCES, JUNE 30, 2000	\$	<u><u>-</u></u>		\$	<u><u>11,441</u></u>	

See Notes to Financial Statements.

(Concluded)

NEBRASKA FOSTER CARE REVIEW BOARD

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2000

1. **Summary of Significant Accounting Policies**

The accounting policies of the Nebraska Foster Care Review Board are on the basis of accounting as described in the Nebraska Accounting System Manual.

- A. **Reporting Entity.** The Nebraska Foster Care Review Board (Board) is a State agency established under and governed by the laws of the State of Nebraska. As such, the Board is exempt from State and Federal income taxes. The financial statements include all funds of the Board. The Board has also considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the Board, or the significance of their relationship with the Board are such that exclusion would be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Board to impose its will on that organization, or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Board.

These financial statements present the Nebraska Foster Care Review Board. No component units were identified. The Nebraska Foster Care Review Board is part of the primary government for the State of Nebraska's reporting entity.

- B. **Basis of Accounting.** The accounting records of the Board are maintained and the Board's financial statements were prepared on the basis of cash receipts and disbursements. Under this method, revenues are recognized when received and expenditures are recognized when paid. This presentation differs from governmental generally accepted accounting principles (GAAP), which requires the use of the modified accrual basis for governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when they are considered susceptible to accrual and expenditures are recognized when the liability is incurred

- C. **Fund Accounting.** The accounts and records of the Board are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts which record receipts, disbursements, and the fund balance. The fixed asset account group is a financial reporting device designed to provide accountability over fixed assets. The fund types and account group presented on the financial statements are those required by GAAP, and include:

NEBRASKA FOSTER CARE REVIEW BOARD

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

General Fund. Reflects transactions related to resources received and used for those general operating services traditionally provided by state government and which are not accounted for in any other fund.

Special Revenue Funds. Reflect transactions related to resources received and used for restricted or specific purposes.

General Fixed Assets Account Group. Used to account for general fixed assets of the Board.

This fund type classification differs from the budgetary fund types used by the Nebraska Accounting System.

The fund types established by the Nebraska Accounting System that are used by the Board are:

1000 - General Fund - accounts for all financial resources not required to be accounted for in another fund.

2000 - Cash Funds - account for receipts generated by specific activities from sources outside of State government and the disbursements directly related to the generation of the receipts.

4000 - Federal Funds - account for all federal grants and contracts received by the State.

D. Budgetary Process. The State's biennial budget cycle ends on June 30 of the odd-numbered years. By September 15, prior to a biennium, the Board and all other State agencies must submit their budget request for the biennium beginning the following July 1. The requests are submitted on forms that show estimated funding requirements by programs, sub-programs, and activities. The Executive Branch reviews the requests, establishes priorities, and balances the budget within the estimated resources available during the upcoming biennium.

The Governor's budget bill is submitted to the Legislature in January. The Legislature considers revisions to the bill and submits the revised appropriation bill to the Governor for signature. The Governor may: a) approve the appropriations bill in its entirety, b) veto the bill, or c) line item veto certain sections of the bill. Any vetoed bill or line item can be overridden by a three-fifths vote of the Legislature.

NEBRASKA FOSTER CARE REVIEW BOARD

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

The appropriations that are approved will generally set spending limits for a particular program within the agency. Within the agency or program, the Legislature may provide funding from one to five budgetary fund types. Thus, the control is by fund type, within a program, within an agency. The central accounting system maintains this control. A separate publication entitled "Annual Budgetary Report" shows the detail of this level of control. This publication is available from the Department of Administrative Services, Accounting Division.

Appropriations are usually made for each year of the biennium with unexpended balances being reappropriated at the end of the first year of the biennium. For most appropriations, balances lapse at the end of the biennium

All State budgetary disbursements for the general, cash, and federal fund types are made pursuant to the appropriations which may be amended by the Legislature, upon approval by the Governor. State agencies may reallocate the appropriations between major object of expenditure accounts except that the Legislature's approval is required to exceed the personal service limitations contained in the appropriations bill. Increases in total general and cash fund appropriations must also be approved by the Legislature as a deficit appropriations bill. Appropriations for programs funded in whole or in part from federal funds may be increased to the extent that receipts of federal funds exceed the original budget estimate.

The Board utilizes encumbrance accounting to account for purchase orders, contracts, and other disbursement commitments. However, State law does not require that all encumbrances be recorded in the State's centralized accounting system, and, as a result, the encumbrances that were recorded in the accounting system have not been included in the accompanying financial statements, except for the impact as described below.

Under State budgetary procedures, appropriation balances related to outstanding encumbrances at the end of the biennium are lapsed and reappropriated in the first year of the next biennium. The effect of the Board's current procedure is to include in the budget columns, Total Disbursements line, of the Statement of Receipts, Disbursements, and Changes in Fund Balances - Budget and Actual the current year's appropriations plus the amounts reappropriated for encumbrances outstanding at the end of the prior biennium. This procedure indicates the Board's intention to honor the encumbrances at the end of a biennium. The disbursements columns of the Statement include cash payments related to the

NEBRASKA FOSTER CARE REVIEW BOARD

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

appropriated and reappropriated amounts. For the year ended June 30, 2000, there were no budgetary funds in which disbursements exceeded appropriations.

Budgets for object of expenditure accounts are included in the Nebraska Department of Administrative Services Budget Status Report. They are budgeted at the program level and not within separate budgetary fund types for the program. As a result, for financial reporting purposes, budget amounts for object of expenditure accounts are shown only for total budgeted funds.

Receipts are not budgeted. Therefore, there are no budgeted amounts shown on the Budget and Actual Statement.

There is no difference between the fund balance of the Budgetary Statement and the Financial Statement. The cash and federal fund on the Budgetary Statement are appropriately classified as a special revenue fund for Financial Statement purpose.

- E. Fixed Assets.** General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as disbursements in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost, where historical records are available, and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Assets on hand as of June 30, 2000 have been recorded at cost by the Board. Generally, equipment which has a cost in excess of \$200 at the date of acquisition and has an expected useful life of two or more years is capitalized.

Assets in the general fixed assets account group are not depreciated. Fixed assets do not include infrastructure, such as roads and bridges, as these assets are immovable and of value only to the government. The cost of normal maintenance and repairs that does not add to the value of the asset or extend asset life is not capitalized.

- F. Cash in State Treasury.** Cash in the State Treasury represents the cash balance of a fund as reflected on the Nebraska Accounting System. Investment of all available cash is made by the State Investment Officer, on a daily basis, based on total bank balances. Investment income is distributed based on the average daily book cash balance of funds designated for investment. Determination of whether a fund is considered designated for investment is done on an individual fund basis. All of the funds of the Board were designated for investment during fiscal year 2000.

NEBRASKA FOSTER CARE REVIEW BOARD

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

G. Inventories. Disbursements for items of an inventory nature are considered expended at the time of purchase rather than at the time of consumption.

H. Compensated Absences. All permanent employees working for the Board earn sick and annual leave and are allowed to accumulate compensatory leave rather than being paid overtime. Temporary and intermittent employees and Board and Commission members are not eligible for paid leave. Under GAAP, the vested portion of the employee's compensated absences is recorded in the Long Term Debt Account Group for governmental funds (and amounts related to proprietary funds and non-expendable trust funds would be reflected separately in those funds). Under the receipts and disbursements basis of accounting, the balances which would otherwise be reported in the Long Term Debt Account Group are not reported since they do not represent balances arising from Cash Transactions.

I. Receipts. The major account titles and descriptions as established by the Nebraska Accounting System that are used by the Board are:

Appropriations. Appropriations are granted by the Legislature to make disbursements and to incur obligations. The amount of appropriations reported as receipts are the amount spent.

Intergovernmental. Receipts from other governments in the form of grants, entitlements, shared revenues, payments in lieu of taxes, or reimbursements.

Sales and Charges. Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees.

Miscellaneous. Receipts from sources not covered by other major categories.

J. Disbursements. The major account titles and descriptions as established by the Nebraska Accounting System that are used by the Board are:

Personal Services. Salaries, wages, and related employee benefits provided for all persons employed by a government.

Operating. Disbursements directly related to a program's primary service activities.

NEBRASKA FOSTER CARE REVIEW BOARD

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. **Summary of Significant Accounting Policies (Concluded)**

Travel. All travel disbursements for any state officer, employee, or member of any commission, council, committee, or board of the State.

Capital Outlay. Disbursements which result in the acquisition of or an addition to fixed assets. Fixed assets are resources of a long-term character, owned or held by the government.

M. Fund Balance Reservations. Reservations of fund balances are established to identify the existence of assets that have been legally segregated for specific purposes. Reservations of fund balances are also established for assets which are not current in nature, such as postage.

2. **Totals**

The Totals "Memorandum Only" column represents an aggregation of individual account balances. The column is presented for overview informational purposes and does not present consolidated financial information since interfund balances and transactions have not been eliminated.

3. **Contingencies and Commitments**

Risk Management. The Board is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors and omissions, injuries to employees, natural disasters, and health care insurance. The Board, as part of the primary government for the State, participates in the State's risk management program. The Nebraska Department of Administrative Services (DAS) Division of Risk Management is responsible for maintaining the insurance and self-insurance programs for the State. The State generally self-insures for general liability and workers compensation. The State has chosen to purchase insurance for:

1. Motor vehicle liability, which is insured for the first \$5 million of exposure per accident. Insurance is also purchased for medical payments, physical damage, and uninsured and underinsured motorists with various limits and deductibles.
2. Health care insurance for employees selecting certain coverage options. All health care insurance was purchased.
3. Crime coverage, with a limit of \$1 million for each loss, and a \$10,000 retention per incident.

NEBRASKA FOSTER CARE REVIEW BOARD

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. **Contingencies and Commitments (Concluded)**

4. Real and personal property on a blanket basis for losses up to \$250,000,000, with a self-insured retention of \$100,000 per loss occurrence. The perils of flood and earthquake are covered up to \$9,000,000. Newly-acquired properties are covered up to \$1,000,000 for 60 days or until the value of the property is reported to the insurance company.

No settlements exceeded commercial insurance coverage in any of the past three fiscal years. Health care insurance is funded in the Risk Management Internal Service Fund through a combination of employee and State contributions. Worker's compensation is also funded in the Risk Management Internal Service Fund through assessments on each agency based on total agency payroll and past experience. Tort claims, theft of, damage to, or destruction of assets, errors or omissions, and natural disasters would be funded through the State General Fund or by individual agency assessments as directed by the Legislature, unless covered by purchased insurance. No amounts for estimated claims have been reported in the Nebraska Foster Care Review Board's financial statements.

Litigation. The potential amount of liability involved in litigation pending against the Board, if any, could not be determined at this time. However, it is the Board's opinion that final settlement of those matters should not have an adverse effect on the Board's ability to administer current programs. Any judgement against the Board would have to be processed through the State Claims Board and be approved by the Legislature.

4. **State Employees Retirement Plan (Plan)**

The Plan is a single-employer defined contribution plan administered by the Public Employees Retirement Board in accordance with the provisions of the State Employees Retirement Act and may be amended by legislative action. In the defined contribution plan, retirement benefits depend on total contributions, investment earnings, and the investment options selected. Membership in the Plan is required of all permanent full-time employees on reaching the age of thirty and completion of twenty-four months of continuous service, and voluntary participation is permitted for all permanent full-time or part-time employees upon reaching age twenty and completion of twelve months of service within a five-year period, except any individual appointed by the Governor may elect to not become a member of the Plan.

Employees contribute 4.33% of their monthly compensation until such time as they have paid during any calendar year a total of eight hundred sixty four dollars, after which time they shall pay a sum equal to 4.8% of their monthly compensation for the remainder of such calendar year. The Board matches the employee's contribution at a rate of 156% of the employee's contribution.

NEBRASKA FOSTER CARE REVIEW BOARD

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. **State Employees' Retirement Plan (Plan) (Concluded)**

The employee's account is fully vested. The employer's account is vested 100% after five years participation in the plan or at retirement.

For the Fiscal Year Ended June 30, 2000, employees contributed \$29,608 and the Board contributed \$46,189.

5. **Fixed Assets**

The following is a summary of changes in the general fixed assets account group during the fiscal year:

	Balance July 1, 1999	Additions	Retirements	Balance June 30, 2000
Equipment	\$ 166,056	\$ 20,582	\$ 27,568	\$ 159,070

6. **Full Accountability of the General and Federal Funds**

Only the cash transactions are reported on the financial statements for these funds. They do not show appropriations and authorizations to spend. To show the full accountability over these funds the following schedules reflect appropriations and authorization to spend. Appropriations and authorization to spend do not represent cash transactions.

General Fund	
Beginning (Reappropriated) Balance July 1, 1999	\$ -
New Appropriations	1,063,335
	<hr/>
Disbursements	(1,063,335)
Ending (Appropriations) Balance June 30, 2000	\$ -
	<hr/>

Federal Fund	
Beginning Federal Grant Authorization July 1, 1999	\$ 12,823
New Federal Grant Authorization	325,000
	<hr/>
Total Federal Grant Authorization	337,823
	<hr/>
Disbursements	(313,151)
Other	162
	<hr/>
Ending Federal Grant Authorization Balance June 30, 2000	\$ 24,834
	<hr/>

NEBRASKA FOSTER CARE REVIEW BOARD
COMBINING STATEMENT OF ASSETS AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
 ALL SPECIAL REVENUE FUNDS
 June 30, 2000

	FCRB Cash Fund 2701	Federal Fund 4000	Totals Special Revenue Funds
Assets			
Cash in State Treasury	\$ 10,450	\$ -	\$ 10,450
Fund Balances			
Fund Balances:			
Unreserved, Undesignated	\$ 10,450	\$ -	\$ 10,450

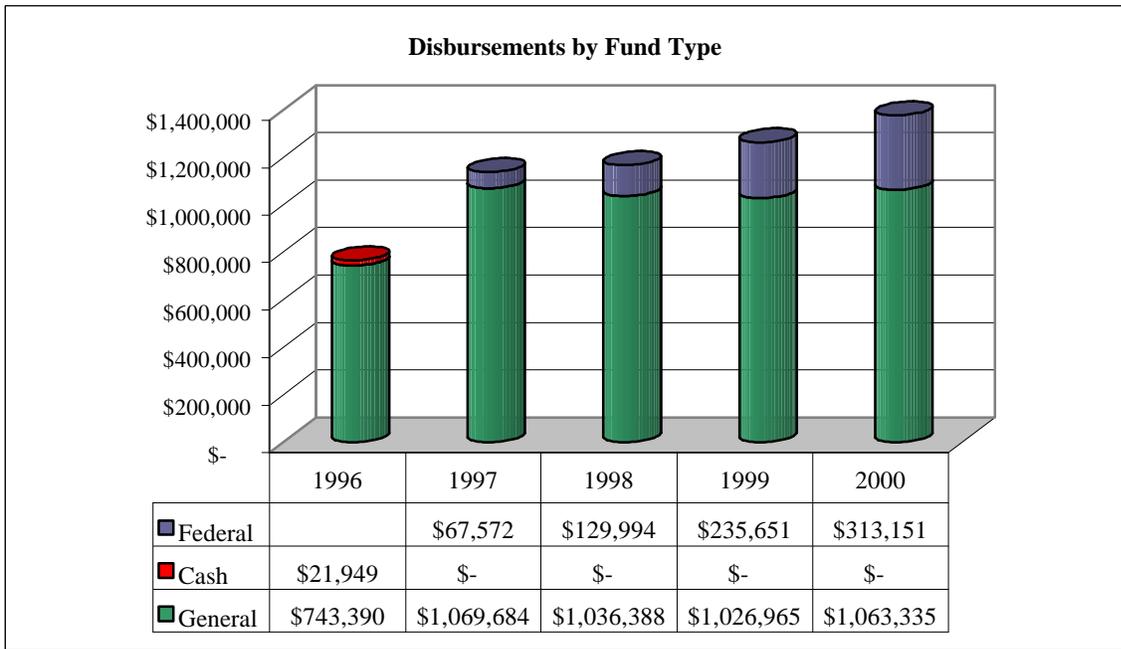
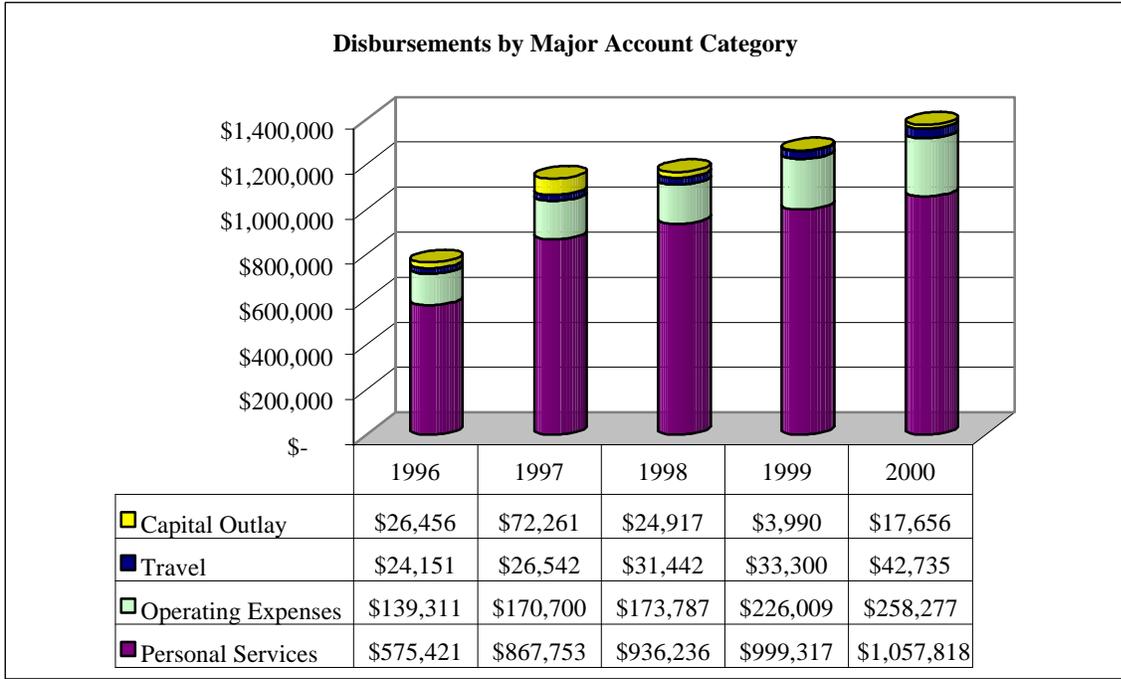
See Notes to Financial Statements.

NEBRASKA FOSTER CARE REVIEW BOARD
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES**
SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2000

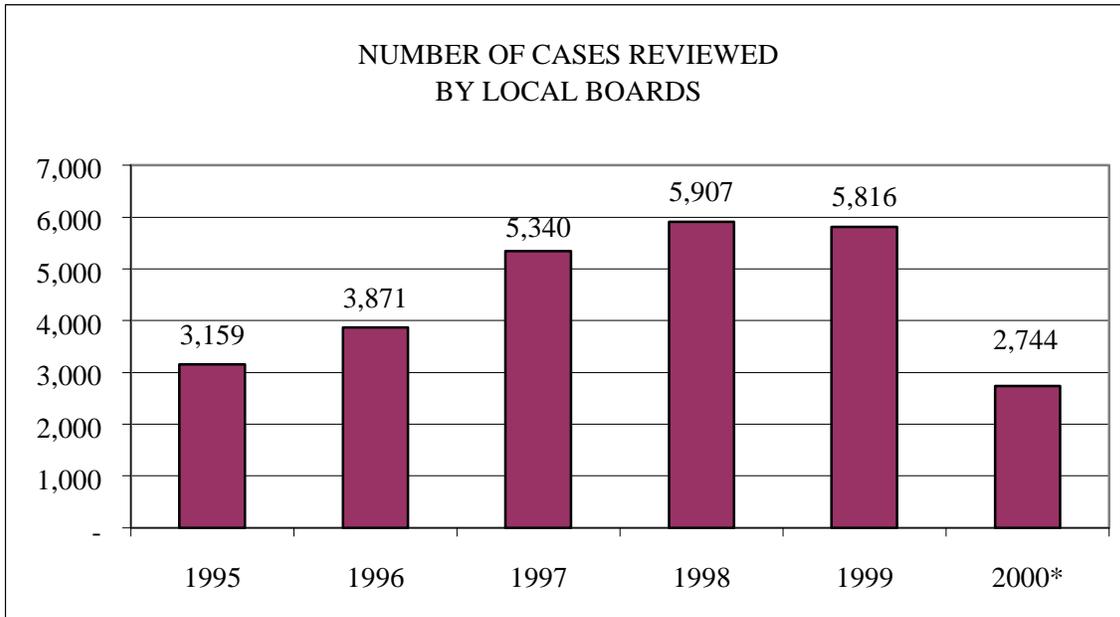
	FCRB Cash Fund 2701	Federal Fund 4000	Total Special Revenue Funds
RECEIPTS:			
Intergovernmental	\$ -	\$ 312,989	\$ 312,989
Sales and Charges	1,319	-	1,319
Miscellaneous	562	162	724
TOTAL RECEIPTS	1,881	313,151	315,032
DISBURSEMENTS:			
Personal Services	-	17,474	17,474
Operating	-	236,494	236,494
Travel	-	41,527	41,527
Capital Outlay	-	17,656	17,656
TOTAL DISBURSEMENTS	-	313,151	313,151
Excess of Receipts Over (Under) Disbursements	1,881	-	1,881
FUND BALANCE, JULY 1, 1999	8,569	-	8,569
FUND BALANCE, JUNE 30, 2000	\$ 10,450	\$ -	\$ 10,450

See Notes to Financial Statements.

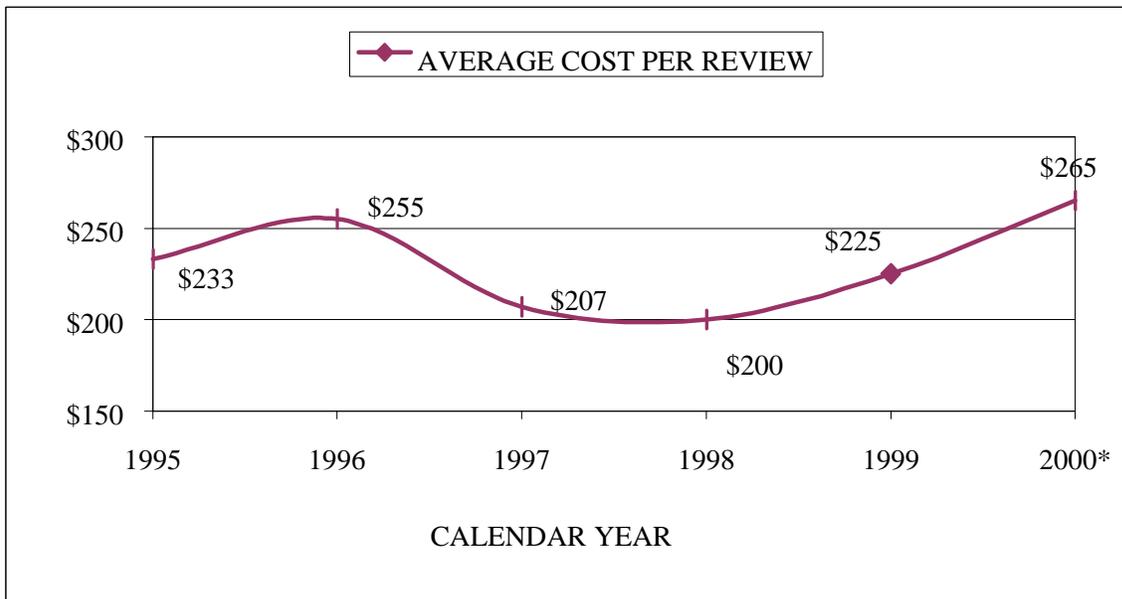
NEBRASKA FOSTER CARE REVIEW BOARD
SCHEDULES OF DISBURSEMENTS BY ACCOUNT AND FUND TYPE
 Fiscal Years 1996 through 2000



NEBRASKA FOSTER CARE REVIEW BOARD
CASES REVIEWED AND AVERAGE COST
 Calendar Years 1995 through 1999
 and January through June 2000



*Calendar Year 2000 includes cases reviewed and expenditures for January through June 30, 2000



STATE OF NEBRASKA
Auditor of Public Accounts



Kate Witek
State Auditor
kwitek05@nol.org

P.O. Box 98917
Suite 2303, State Capitol
Lincoln, NE 68509
402-471-2111, FAX 402-471-3301

NEBRASKA FOSTER CARE REVIEW BOARD
**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the Nebraska Foster Care Review Board as of and for the year ended June 30, 2000, and have issued our report thereon dated November 17, 2000. The report notes the financial statements were prepared on the basis of cash receipts and disbursements and was modified to emphasize that the financial statements present only the funds of the Nebraska Foster Care Review Board. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Nebraska Foster Care Review Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. We also noted certain immaterial instances of noncompliance that we have reported to management of the Nebraska Foster Care Review Board in the Comments Section of this report as Comment Number 1 (Disbursements), Comment Number 2 (Personal Phone Calls), Comment Number 3 (Cash Fund), Comment Number 5 (Employee Leave), Comment Number 6 (Fixed Assets), Comment Number 7 (Federal Compliance), and Comment Number 9 (Payables).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Foster Care Review Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Nebraska Foster Care Review Board's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A Reportable condition is described in the Comments Section of the report as Comment Number 1 (Disbursements).

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving internal control over financial reporting that we have reported to management of the Nebraska Foster Care Review Board in the Comments Section of the report as Comment Number 4 (Computer Passwords), Comment Number 5 (Employee Leave), Comment Number 6 (Fixed Assets), and Comment Number 8 (Receipts).

This report is intended solely for the information and use of the agency, the appropriate Federal and regulatory agencies and citizens of the State of Nebraska and is not intended to be and should not be used by anyone other than these specified parties.

November 17, 2000

Pat Reding, CPA
Manager