

**ATTESTATION REPORT
OF THE
NEBRASKA COMMISSION FOR THE
DEAF AND HARD OF HEARING
JULY 1, 2003 THROUGH JUNE 30, 2004**

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Issued on April 19, 2005

NEBRASKA COMMISSION FOR THE DEAF AND HARD OF HEARING

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NEBRASKA COMMISSION FOR THE DEAF AND HARD OF HEARING

BACKGROUND

The Nebraska Commission for the Deaf and Hard of Hearing (Commission), established in 1979, is a State agency designed to serve deaf and hard of hearing people in Nebraska. The Commission is mandated to provide specific services as follows:

- Inventory Services Available for Meeting the Problems of Persons with a Hearing Loss and Assist them with Obtaining Services. Services the Commission offer include hearing aid banks for individuals with financial needs, text telephones (TTYs), and assistive device loan programs, newsletters, and making information available to the general public regarding hearing loss.
- License Interpreters Under Sections 20-150 to 20-159 and Prepare and Maintain a Roster of Licensed Interpreters. The roster shall include the type of employment the interpreter generally engages in. The roster is made available to local, State, and Federal agencies and is used for referrals to private organizations and individuals seeking interpreters.
- Promote the Training of Interpreters for Deaf and Hard of Hearing Persons. The Commission receives funds from the U.S. Department of Education, Regional Interpreter Training Consortium Grant that is used to conduct training workshops for interpreters. The Commission also conducts evaluations of interpreters through the Quality Assurance Screening Test (QAST).
- Provide counseling to deaf and hard of hearing persons or refer deaf and hard of hearing people to private or governmental agencies that provide counseling services. The Commission collaborates with mental health programs and provides technical assistance to help them better serve deaf and hard of hearing people.
- Conduct a voluntary census of deaf and hard of hearing persons in Nebraska and maintain a current registry. The Commission makes an effort to identify deaf and hard of hearing Nebraskans throughout the state.
- Promote awareness and understanding of the rights of deaf and hard of hearing persons. The Americans with Disabilities Act (ADA), passed by the Federal government in 1990, protects qualified individuals with disabilities from discrimination on the basis of disability. To promote an understanding and awareness regarding a hearing loss, the Commission provides presentations, distributes information through fairs and conventions, conducts sensitivity training, such as ACCESS 2000 workshops, and develops informational brochures.
- Promote expanded adult education opportunities in cooperation with community colleges or higher education programs throughout the State. The Commission conducts several major events that expand adult education opportunities, including seminars on national issues, technology, and computer training opportunities.

NEBRASKA COMMISSION FOR THE DEAF AND HARD OF HEARING

BACKGROUND

(Continued)

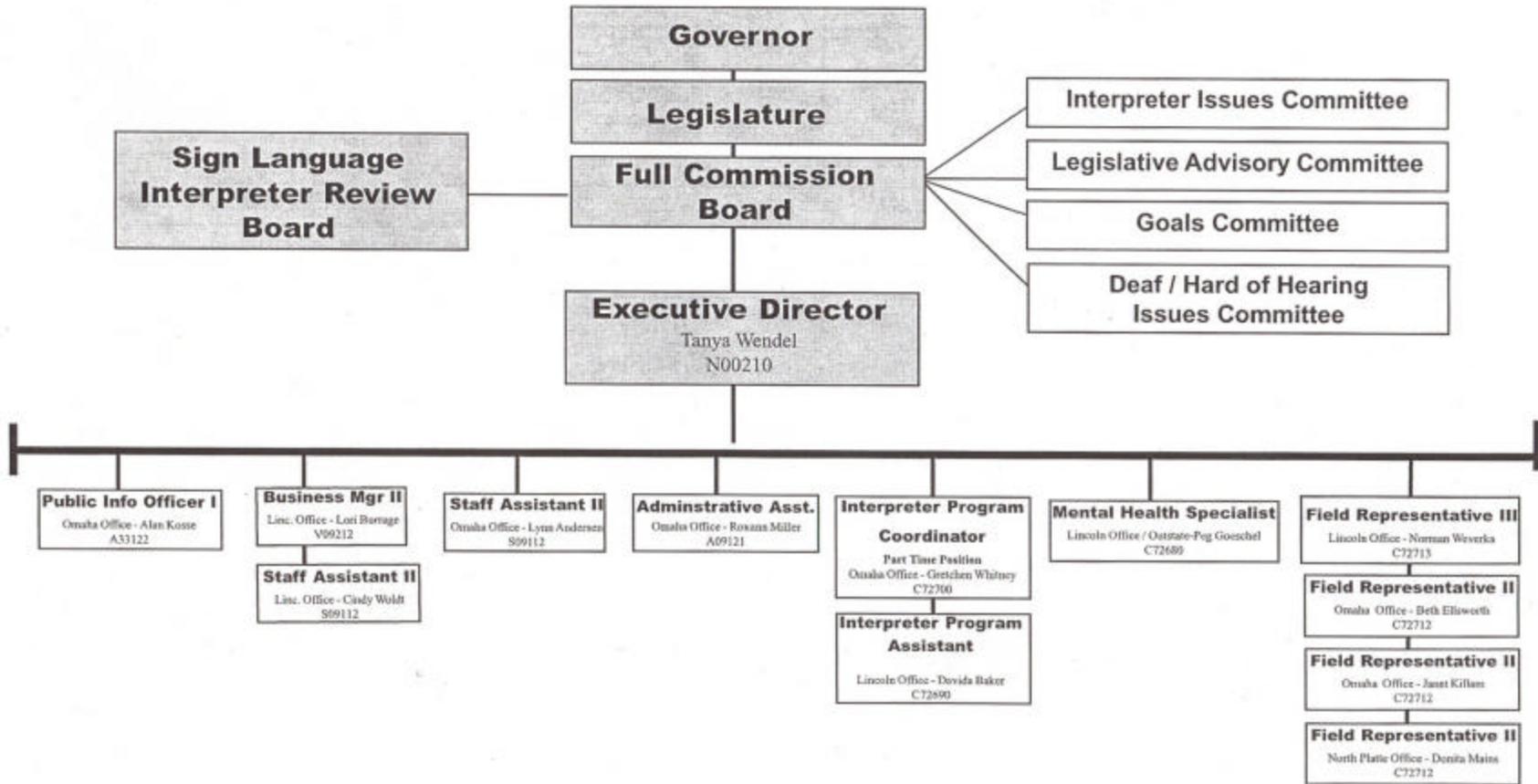
- Promote statewide communication services for deaf and hard of hearing individuals. The Commission drafted legislation that established the statewide telecommunication relay system and the equipment distribution program. The Commission offers sign communication classes to State agencies.
- Appoint advisory committees to do in-depth studies on particular problems and receive reports on findings. Collect and share information on deaf and hard of hearing persons by doing studies, gathering information and conducting research related to training, placement and social and economic adjustment for deaf and hard of hearing persons.
- Assist deaf and hard of hearing persons in accessing comprehensive mental health, alcoholism, and drug abuse services. A Mental Health Specialist provides assistance, education, and training to mental health therapists regarding deaf and hard of hearing individuals' communication needs. There is a five-member advisory committee that quarterly reviews the activities of the program.

MISSION STATEMENT

The mission of the Nebraska Commission for the Deaf and Hard of Hearing is to improve the quality of life for deaf and hard of hearing people of all ages by providing assistance, advocacy, and access to services and information.

NEBRASKA COMMISSION FOR THE DEAF AND HARD OF HEARING

ORGANIZATIONAL CHART



NEBRASKA COMMISSION FOR THE DEAF AND HARD OF HEARING

EXIT CONFERENCE

An exit conference was held March 21, 2005 with the Commission to discuss the results of our examination. Those in attendance for the Nebraska Commission for the Deaf and Hard of Hearing were:

NAME	TITLE
Tanya Wendel	Executive Director
Lori Burrage	Business Manager II
Barbara Woodhead	Commission Chairperson

NEBRASKA COMMISSION FOR THE DEAF AND HARD OF HEARING

SUMMARY OF COMMENTS

During our examination of the Nebraska Commission for the Deaf and Hard of Hearing, we noted certain matters involving the internal control over financial reporting and other operational matters which are presented here.

1. **Cash Fund Balance:** The Hearing Impaired Cash Fund balance increased from \$44,836 at June 30, 2003, to \$46,144 at June 30, 2004. The Hearing Impaired Cash Fund balance at June 30, 2004 appears excessive as it was more than \$6,069, one-half of the fiscal year's expenditures.
2. **Lack of Segregation of Duties Over Receipts:** There was a lack of segregation of duties over receipts. One individual prepares the Deposit Document and verifies the Deposit Document posted to the General Ledger online. There was no review by a second individual to ensure the monies receipted agreed to the amount deposited on the Nebraska Information System (NIS).
3. **Lack of Segregation of Duties Over Fixed Assets:** There was a lack of segregation of duties over fixed assets. One individual performed all fixed asset transactions including maintaining, adding, and deleting fixed assets. There was no review of the fixed asset records or exception reports by a second individual.
4. **Personal Benefit:** Interpreter services were provided to a Commission employee. No fees were charged for these services and mileage was paid to the Commission employee providing the interpreter service.
5. **Documents Were Not Pre-audited:** Three of six documents tested that required pre-audit per State Statute, as well as the Commission's policy, were not pre-audited.
6. **Nebraska Information System and Accounting Procedures:** Significant areas of concern where improvement to NIS is needed to ensure NIS integrity and operational efficiency were identified.

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

Draft copies of this report were furnished to the Commission 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 examination.

We appreciate the cooperation and courtesy extended to our staff during the course of the examination.

COMMENTS AND RECOMMENDATIONS

1. Cash Fund Balance

Good fiscal policy requires fund balances be periodically reviewed. Sound accounting practice requires expenses for services provided to be charged to the fund where the fees for the services provided are deposited.

The Hearing Impaired Cash Fund balance increased from \$44,836 at June 30, 2003, to \$46,144 at June 30, 2004. Program 578 (Hearing Impaired) is supported by General Fund appropriations and the Hearing Impaired Cash Fund. While \$19,510 of the Hearing Impaired Cash Fund Balance at June 30, 2004 can be attributed to grant monies on hand, the Hearing Impaired Cash Fund balance at June 30, 2004, appears excessive as it was more than \$6,069, one-half of the fiscal year 2004 expenditures. Revenues for interpreter services are deposited in the Hearing Impaired Cash Fund, but expenses for the interpreters' payroll are paid out of the General Fund.

The excessive fund balance in the Cash Fund may indicate that fees were too high, administrative costs were not properly charged to the Cash Fund, or that General Fund support was too high.

We recommend the Commission utilize Cash Funds to pay costs until the Cash Fund balance is reduced to a reasonable level. We also recommend the Commission pay expenses associated with interpreter service fees, collected and deposited in the Cash Fund, with the Cash Fund.

Commission's Response: As of April 5, 2005, the cash balance was reduced to \$29,514.07. Of that amount, \$6,086.70 is committed to grants, workshop activities and QAST expenses. The agency is not collecting enough fees to cover interpreter payroll, however, the fees collected are applied to operating expenses.

Commission's Corrective Action: Follow up with the DAS Budget Office on utilizing cash funds to pay expenses to reduce the balance further.

2. Lack of Segregation of Duties over Receipts

Good internal control requires an adequate segregation of duties over receipts to ensure no one individual is in the position to both perpetrate and conceal errors or irregularities.

One individual prepares and verifies the Deposit Document posted to the General Ledger online. There was no review by a second individual to ensure the monies receipted agree to the amount deposited on the Nebraska Information System (NIS). We also noted there were no receipts written when money was received in Omaha for walk-ins to workshops or for fees collected for Quality Assurance Screening Tests (QAST). In addition, no individual separate from the deposit process verified the money collected in Omaha agreed to the amount deposited on NIS.

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Lack of Segregation of Duties over Receipts (Concluded)

Without a proper segregation of duties in place the risk of concealed errors or irregularities is increased.

We recommend the Commission implement procedures to ensure an adequate segregation of duties is in place over receipts. These procedures should include the individual that has the initial control over the monies received, or an individual that does not deposit the money, verifying the amount deposited on NIS agrees to the actual monies received. In addition, we recommend the Commission review their policy and procedures regarding their receipting process in Omaha and implement procedures to ensure all monies collected are deposited.

Commission's Corrective Action: All monies will be collected in the Lincoln office prior to receiving the service or attending an event. If this new procedure impacts services, the procedure may need to be modified. In addition to the current practice of preparing a calculator tape when receiving money, the agency will implement using a log sheet. The individual that has the initial control over the monies will become responsible for verifying the log sheet with the receipt document and the amount deposited on NIS. This review will be documented by signing off on the receipt document and the log sheet.

3. Lack of Segregation of Duties Over Fixed Assets

Good internal control requires an adequate segregation of duties over fixed assets to ensure no one individual is in the position to both perpetrate and conceal errors or irregularities.

The Commission did not have an adequate segregation of duties over fixed assets. One individual performed all fixed asset transactions including maintaining, adding, and deleting fixed assets. This same individual completed the physical inventory for the Lincoln office for fiscal year 2004. There was no review of the fixed asset records or exception reports by a second individual.

Without a proper segregation of duties in place the risk of concealed errors or irregularities is increased.

We recommend the Commission implement procedures which ensure an adequate segregation of duties is in place over fixed assets. These procedures should require an individual separate from the fixed asset process to review the Unposted Fixed Asset Transaction Report, to

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Lack of Segregation of Duties Over Fixed Assets (Concluded)

ensure all additions were added to the listing, and to review the Additions and Retirement Report to ensure all deletions were properly removed. We also recommend an individual not involved with the fixed asset process complete the annual physical inventory.

Commission's Response: The agency utilizes internal forms that the Executive Director reviews and approves before surplusing an item. These internal forms are maintained along with the Surplus Notification Forms (SPN) that are submitted to Surplus Property. The agency is unable to remove/delete items listed on NIS; only DAS Materiel is able to perform that function. DAS requires the SPN numbers prior to removal from NIS. The majority of the agency's inventory is under the agency capitalization amount of \$500 but is still being maintained on an Access database. We follow the same procedures for surplus and removal from that database. Prior to the implementation of NIS, the agency maintained all inventory on an Access database. We were able to generate reports from that database for each employee, listing the items assigned to them. Each employee, along with a second employee, was responsible for conducting a physical inventory of the items assigned to them. This was documented by two signatures on the report and returned to the Business Manager. NIS does not offer such reports and the items listed on NIS are minimal.

Commission's Corrective Action: The Executive Director will review and sign off on the monthly Unposted Fixed Asset Transaction Additions and Retirement Report. Two people will conduct the physical inventory and document by signing off on the Auditors Fixed Asset Listing by Tag Number Report. The agency is in the process of obtaining an inventory system for the demo and loan program equipment. This equipment is under \$500 and not maintained on NIS.

4. Personal Benefit

Neb. Rev. Stat. Section 49-14,101.01(1) R.R.S. 2004 states, "A public official or public employee shall not use or authorize the use of, for personal financial gain, financial gain of a member of his or her immediate family, or financial gain of a business with which he or she is associated, other than compensation provided by law . . . (b) personnel, resources, property, or funds under that person's official care and control other than in accordance with prescribed constitutional, statutory, and regulatory procedures." Good internal control requires entities receiving interpreter services be billed for such services and State employees should not receive a personal benefit.

Interpreter services were provided to a Commission employee. No fees were charged for these services and mileage was paid to the Commission employee providing the interpreter service. The waived fees consisted of \$207 for interpreter services and \$31 for mileage for a total of \$238.

COMMENTS AND RECOMMENDATIONS

(Continued)

4. Personal Benefit (Concluded)

A Nebraska Commission for the Deaf and Hard of Hearing employee used the Commission's personnel and State funds for personal use (approved by the Director) resulting in a personal benefit to the employee and noncompliance with State Statute. The Commission did not receive payment for the interpreter services.

We recommend the Commission review its policy and procedures for providing interpreter services to State employees to ensure the Commission is paid for services provided. No employee should receive a personal benefit.

Commission's Response: On January 22, 2004, the Executive Director granted approval for a Lincoln employee to assist a deaf employee due to the death of their father. The deaf employee notified the Executive Director that their family (four individuals are deaf) needed assistance with advocating and interpreting to make funeral arrangements. An employee was authorized to advocate and assist the family due to the lack of understanding on the part of the funeral home in working with a deaf family and their inability to communicate in sign language. A decision was made to not charge since the Commission's employee role was to assist and advocate on behalf of the family in obtaining reasonable access and providing communication accommodations. Personnel was contacted to advise the director regarding if this was an allowable use of employee time without requiring they take vacation.

Commission's Correction Action: The Director will not authorize any further employee functions that are perceived as benefiting an employee receiving personal gain.

5. Documents Were Not Pre-audited

Neb. Rev. Stat. Section 81-1111(3)(a) R.R.S. 1999 states that the accounting bureau "Shall be responsible for the preaudit and control of all vouchers and payrolls equal to or exceeding one thousand five hundred dollars in order to assure the legality of all transactions, to insure that all vouchers for payment are within the approved budget, and to insure that adequate cash is available for payment." Neb. Rev. Stat. Section 81-1111(2) R.R.S. 1999 states, "The accounting bureau shall monitor all departments and agencies authorized by the Director of Administrative Services to perform their own preaudit." The Commission has an agreement with the Director of Administrative Services (DAS) to perform their own pre-audit. This agreement states, "The Agency agrees to designate appropriate employees to perform the pre-audit function as specified in subdivision (3)(a) through (f) of Section 81-1111." The Commission's internal control policy states, "Documents over \$1,500 and with sensitive account codes, as established by DAS Accounting, are prepared by the Staff Assistant, pre-audited and approved by the Business Manager and then reviewed and posted by the Executive Director."

COMMENTS AND RECOMMENDATIONS

(Continued)

5. Documents Were Not Pre-audited (Concluded)

Three of six documents tested that required pre-audit per State Statute, as well as the Commission's policy, were not pre-audited.

The Commission was not in compliance with State Statute and the Commission's policy. In addition, there is an increased risk of loss or misuse of State funds.

We recommend the Commission pre-audit payment vouchers as required by State Statute and the Commission's policy.

Commission's Response: On September 22 and 23, 2003, the DAS Accounting Administrator contacted the Business Manager regarding batches that had been posted in error by DAS Accounting. These batches contained documents that required pre-audit by DAS as they were handling that function for the agency. When asked if the batches still needed to be sent to DAS for review/pre-audit, the Business Manager was told that state law does not require 100% pre-audit of documents, including documents over \$1,500 or with sensitive account (object) codes. DAS Accounting performed the pre-audit function for the agency from July, 2003 until January, 2004. The agency was able to train a third person to enter documents requiring pre-audit and assumed the pre-audit function from January through June, 2004. The documents referred to were processed at the end of the fiscal year at which time the agency was short staffed and there were only two staff members available to enter, pre-audit/approve and post the documents. Based on the above information from the DAS Administrator, these documents were processed. The following statement was received from the Accounting Administrator, via email, on March 24, 2005, to be included in our response:

"Statute 81-1111 states that pre-audit shall consist of reviewing all vouchers over \$1,500 to ensure their validity, are within budgetary constraints and there is cash available to pay such vouchers. In addition, the statute clearly states that pre-audit also includes all audit-sensitive AREAS (which are then described). Please note, that the statute does NOT require that you review all audit-sensitive vouchers; it only requires that you pre-audit all those areas. Thus, we require each agency to develop some review process that would adequately sample vouchers in all audit-sensitive areas."

Commission's Corrective Action: The agency will pre-audit all documents over \$1,500 and those with sensitive account (object) codes.

APA's Response: All vouchers over \$1,500 and vouchers of audit sensitive areas must be pre-audited to meet statutory requirements. The documents tested which were not pre-audited were over the \$1,500 threshold. The sampling of audit sensitive areas for pre-audit would not be sufficient to comply with Statutes.

COMMENTS AND RECOMMENDATIONS

(Continued)

6. Nebraska Information System and Accounting Procedures

Good internal control requires a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records. Without adequate training, written procedures, and controls, there is a risk that employees may unintentionally corrupt critical data and that errors could occur and go undetected.

During the fiscal year ended June 30, 2003, the State of Nebraska implemented significant components of a new information system called the Nebraska Information System (NIS). Three major components were the Payroll, Fixed Asset, and Financial components, which went live during the fiscal year ended June 30, 2003. During the fiscal year ended June 30, 2004, the Procurement and Employee Self-Service components were partially implemented. NIS affects all Nebraska State agencies.

A consultant hired by the Auditor of Public Accounts (APA) with expertise in studying large computer systems performed a study of NIS processes and controls prior to June 30, 2003. The APA also performed a preliminary examination of internal controls as of June 30, 2003, at all State agencies in July and August of 2003. In addition, while performing examination procedures the APA obtained a further understanding of NIS.

From these studies and examinations, the APA has identified concerns and areas where improvement to NIS is needed. During the fiscal year ended June 30, 2004, the Department of Administrative Services (DAS) Accounting Division addressed some areas of concern previously reported. However, the following are the more significant concerns or areas where improvement is still needed to ensure NIS integrity and operational efficiency:

- a. The reconciliation between the State Treasurer's actual bank statements and records, the Nebraska Accounting System (NAS-the previous accounting system before NIS), NIS accounting records, and the related disposition of reconciling items was not completed for November 2002 through December 2003 in a timely manner. Subsequent to December 2003, the DAS Accounting Division performed some reconciliation procedures. As of July 2004, the June 30, 2003, reconciliation indicates an unknown variance between the bank records and the accounting records of \$3,654,783, with the bank being short compared to the accounting records.

During the fiscal year ended June 30, 2004, DAS Accounting Division began performing a daily reconciliation of activity recorded on NIS compared to the activity recorded in the bank on a limited test basis. For those days tested, the activity recorded on NIS can be reconciled to the activity in the bank. The monthly reconciliations for the months of July 2003 through February 2004 for the fiscal year ended June 30, 2004 have been performed and indicate fluctuations in

COMMENTS AND RECOMMENDATIONS

(Continued)

6. Nebraska Information System and Accounting Procedures (Continued)

the variance amounts. The latest monthly reconciliation performed, February 2004, indicates an unknown variance between the bank records and the accounting records of \$5,112,201, with the bank being short compared to the accounting records. This variance was provided to us by DAS Accounting Division and its accuracy has not been verified by the APA.

Although some reconciliation procedures have been performed (daily reconciliation of activity going through NIS to the activity recorded through the bank), the monthly reconciliation for the months March 2004 through June 2004 are still in the preliminary stages and are not complete as of July 2004. Complete and timely reconciliation procedures between bank records and accounting records provide control over cash and accurate financial information. The reconciliation procedures should be completed timely and on at least a monthly basis to ensure all financial information is correct in NIS.

- b. During the early implementation months of NIS, DAS Accounting Division did not have a comprehensive written NIS policy and procedures manual available for users. During the fiscal year ended June 30, 2004, DAS Accounting Division made progress in this area and significant policies and procedures can be found by users on the DAS Accounting Division website. However, the APA, after reviewing the old accounting procedures manual, did note some procedures still being performed under those policies that have not been incorporated as NIS policies. We recommend DAS Accounting Division continue to update their NIS policies and procedures to include all policies and procedures in place to help ensure consistent and accurate accounting of the State's financial transactions.
- c. During the early implementation of NIS it was determined the NIS Payroll application was not allocating salaries and benefits appropriately to salaried employees who incur hours that are distributed across multiple business units. This would apply to many State agencies' funds, programs, and grants. During the fiscal year ended June 30, 2004, agencies developed "work around" solutions to this problem, however, there has been no system change to resolve this problem. The "work around" solutions can be very time consuming. We recommend DAS Accounting Division consider obtaining a system change to allocate salaries and benefits appropriately for salaried employees who incur hours that are distributed across multiple business units.
- d. During the first year of NIS implementation an outside consultant noted a detailed analysis had not been performed to determine whether users received adequate training to enable them to appropriately perform their job functions. The APA is not aware of any detailed analysis of user training conducted by the DAS Accounting Division during the fiscal year ended June 30, 2004, but does acknowledge a significant training effort by the DAS Accounting Division during this period. We recommend the DAS Accounting Division continue their training efforts as well as identifying user training needs.

COMMENTS AND RECOMMENDATIONS

(Continued)

6. Nebraska Information System and Accounting Procedures (Continued)

- e. Since the implementation of NIS, DAS Accounting Division has not updated their records retention and disposition schedule with the Records Management Division of the Secretary of State. The records retention schedule on file with the Secretary of State covers the records under the old accounting system and was last updated in 1986.

Neb. Rev. Stat. Section 84-1207 R.R.S. 1999 states the head of any State agency shall make, and submit to the State Records Administrator schedules proposing the length of time each record series warrants retention for administrative, legal, historical or fiscal purposes, after it has been made in or received by the agency, and lists of records in the custody or under the control of the agency which are not needed in the transaction of current business, and do not possess sufficient administrative, legal, historical or fiscal value to warrant their further retention.

Since many of the records (and their titles) are significantly different under NIS than they were under the old accounting system we do not believe the DAS Accounting Division is in compliance with the above statute with the current retention schedule on file with the Secretary of State. In addition, for legal purposes and for good business practices we believe a comprehensive DAS Accounting Division records retention schedule is imperative. We recommend the DAS Accounting Division work with the Secretary of State to develop a comprehensive records retention schedule for all records they maintain.

- f. The payroll component is not designed to promote an effective segregation of duties. We recommend the DAS Accounting Division consider implementing the compensating control as identified in the k. section of this comment.
- g. During the first year of NIS implementation an outside consultant noted access to sensitive General Accounting functions had been provided to individuals who may not require such access as a part of their job responsibilities. Based on our inquiries, DAS Accounting Division management noted, "All critical function access rights have been secured down to the appropriate high level matrix codes." We could not verify the accuracy of this statement as requested information and documentation have not been provided to us.
- h. During the first year of NIS implementation an outside consultant noted the State had not documented or formalized comprehensive information security procedures for NIS. Based on our inquiries, DAS Accounting Division management noted, "The NIS CNC's and the NIS Security team have developed a comprehensive security policy." We could not verify the accuracy of this statement as requested information and documentation have not been provided to us.

COMMENTS AND RECOMMENDATIONS

(Continued)

6. Nebraska Information System and Accounting Procedures (Continued)

- i. During the first year of NIS implementation an outside consultant noted the State had not implemented a formal, comprehensive business continuity or disaster recovery plan that comprehends both NIS and its supporting infrastructure. Based on our inquiries, DAS Accounting Division management noted, "We have now contracted with an outside vendor for business continuity planning." Documentation provided to us by DAS management indicates the State has a disaster recovery plan, however, it is not complete and the business continuity plan is in the draft stage but has not yet been tested. We recommend the State continue to implement formal, comprehensive business continuity and disaster recovery plans.

- j. The APA reviewed certain data in the NIS address book in July 2004. We noted the following related vendor information:
 - 1. Duplicate Name and Address – Our review noted a total of 4,435 duplicate records. However, all have different address book numbers.
 - 2. Duplicate Bank Information – 4,118 vendors had duplicate bank information.
 - 3. Vendors with no Federal Tax Identification Number (FTIN) in NIS and Vendors with an FTIN of 000000000 – 3,789 vendors either had no FTIN or an FTIN with all zeros. The vendors with zeros as their FTIN were all PW (welfare) vendor types. Out of the 3,789 records 3,408 had no FTIN at all.

When duplicate records are in the NIS address book database there is a greater risk of duplicate payments being made and not being detected and queries of the database for vendor information may not be complete because the queries may not include all vendor information. In addition, when the database does not include FTIN numbers for all vendors there is a greater risk of payments to a fictitious vendor. DAS Accounting Division should correct the database for duplicate records and ensure all vendors included in the database have an FTIN.

- k. DAS Accounting Division payroll procedures require each State agency to certify its payroll for each pay period to ensure payroll is processed accurately and completely. This certification is to be in writing, either through an email or letter to the DAS Accounting Administrator. In our review of the final payroll notification and certification procedures processed in July 2003 and May of 2004 and discussion with DAS Accounting Division personnel, the certification procedures were not always performed. Our review also noted that the DAS Accounting Division did not have a policy on the information that should be included in the written certification. We noted during our testing, when there was a certification, there was no consistency in the information provided by State agencies.

COMMENTS AND RECOMMENDATIONS

(Continued)

6. Nebraska Information System and Accounting Procedures (Concluded)

DAS Accounting Division should establish a policy on detailing the information to be included in the certification, should ensure all State agencies consistently follow this policy, and ensure all payroll expenditures are certified.

The issues identified above are the responsibility of the DAS Accounting Division and NIS Functional Team as they relate directly to NIS; however, they directly affect all Nebraska State agencies' financial information and must be disclosed in this report. The results of the consultant's study of NIS were communicated in a separate report to DAS, who is responsible for NIS. Letters to each State agency communicated the results of the APA's preliminary examination of internal controls at the State agency level. Additional concerns identified by the APA were communicated to the appropriate State officials.

Commission's Response: The Nebraska Commission for the Deaf and Hard of Hearing (NCDHH) is not responsible for the issues the Auditor of Public Accounts (APA) has identified as concerns or the areas for improvement needed for the Nebraska Information System (NIS). The responsibility for resolving these issues lies with the Department of Administrative Services (DAS) and the NIS implementation team. NCDHH does not have the authority to address any of these issues.

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NEBRASKA COMMISSION FOR THE DEAF AND HARD OF HEARING

INDEPENDENT ACCOUNTANT'S REPORT

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We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Commission for the Deaf and Hard of Hearing (Commission) for the fiscal year ended June 30, 2004. The Commission's management is responsible for the schedule of revenues, expenditures, and changes in fund balances. Our responsibility is to express an opinion based on our examination.

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Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and accordingly, included examining, on a test basis, evidence supporting the schedule of revenues, expenditures, and changes in fund balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

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In our opinion, the schedule referred to above presents, in all material respects, the revenues, expenditures, and changes in fund balances of the Nebraska Commission for the Deaf and Hard of Hearing for the fiscal year ended June 30, 2004, based on the accounting system and procedures prescribed by the State of Nebraska Director of Administrative Services as described in Note 1.

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In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2005, on our consideration of the Nebraska Commission for the Deaf and Hard of Hearing's internal control over financial reporting and our

tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an attestation engagement performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our examination.

This report is intended solely for the information and use of the Commission and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Timothy J. Channer CPA". The signature is written in a cursive style with a large, sweeping initial "T".

Assistant Deputy Auditor

March 21, 2005

NEBRASKA COMMISSION FOR THE DEAF AND HARD OF HEARING
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2004

	General Fund 10000	Hearing Impaired Cash Fund 28210	Total (Memorandum Only)
REVENUES:			
Appropriations	\$ 604,177	\$ -	\$ 604,177
Intergovernmental	-	5,595	5,595
Sales & Charges	-	5,972	5,972
Miscellaneous	11	1,878	1,889
TOTAL REVENUES	<u>604,188</u>	<u>13,445</u>	<u>617,633</u>
EXPENDITURES:			
Personal Services	482,080	-	482,080
Operating	102,900	10,418	113,318
Travel	14,400	1,719	16,119
Capital Outlay	4,797	-	4,797
TOTAL EXPENDITURES	<u>604,177</u>	<u>12,137</u>	<u>616,314</u>
Excess of Revenues Over Expenditures	<u>11</u>	<u>1,308</u>	<u>1,319</u>
OTHER FINANCING SOURCES (USES):			
Sales of Assets	1,324	-	1,324
Deposit to General Fund	(1,335)	-	(1,335)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(11)</u>	<u>-</u>	<u>(11)</u>
Net Change in Fund Balances	-	1,308	1,308
FUND BALANCES, JULY 1, 2003	<u>829</u>	<u>44,836</u>	<u>45,665</u>
FUND BALANCES, JUNE 30, 2004	<u>\$ 829</u>	<u>\$ 46,144</u>	<u>\$ 46,973</u>
FUND BALANCES CONSIST OF:			
General Cash	\$ -	\$ 45,884	\$ 45,884
Petty Cash	-	125	125
Deposits with Vendors	829	-	829
Accounts Receivable Invoiced	-	135	135
TOTAL FUND BALANCES	<u>\$ 829</u>	<u>\$ 46,144</u>	<u>\$ 46,973</u>

The accompanying notes are an integral part of the schedule.

NEBRASKA COMMISSION FOR THE DEAF AND HARD OF HEARING

NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2004

1. Criteria

The accounting policies of the Nebraska Commission for the Deaf and Hard of Hearing are on the basis of accounting as prescribed by the State of Nebraska Department of Administrative Services (DAS).

Per Neb. Rev. Stat. Section 81-1107(2) R.S.Supp., 2004, the State of Nebraska Director of Administrative Services duties include “The keeping of general accounts and the adoption and promulgation of appropriate rules, regulations, and administrative orders designed to assure a uniform and effective system of accounts and accounting, the approval of all vouchers, and the preparation and issuance of warrants for all purposes.”

The Nebraska Information System (NIS) is the official accounting system prescribed by DAS for the State of Nebraska. Policies and procedures are detailed in NIS manuals and Nebraska Accounting System Concepts published by DAS and available to the public. The financial information used to prepare the schedule of revenues, expenditures, and changes in fund balances for the Commission was obtained directly from the NIS. NIS records accounts receivable and accounts payable as transactions occur. As such certain revenues are recorded when earned and expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows. The accounts payable liability recorded on NIS, and thus recorded as expenditures, as of June 30, 2004 includes only those payables posted to NIS before June 30, 2004 and not yet paid as of that date. The amount recorded as expenditures as of June 30, 2004 **does not** include amounts for goods and services received before June 30, 2004 which had not been posted to NIS as of June 30, 2004.

DAS did not require the Commission to record their receivables on the NIS system and these amounts are not reflected in revenues or fund balances on the Schedule. The NIS system does not include liabilities for accrued payroll and compensated absences.

The fund types established by NIS that are used by the Commission are:

10000 – General Fund – accounts for all financial resources not required to be accounted for in another fund.

20000 – Cash Funds – account for revenues generated by specific activities from sources outside of State government and the expenditures directly related to the generation of the revenues. Cash funds are established by State statutes and must be used in accordance with those statutes.

NEBRASKA COMMISSION FOR THE DEAF AND HARD OF HEARING

NOTES TO THE SCHEDULE

(Continued)

1. Criteria (Continued)

The major revenue object account codes established by NIS used by the Commission are:

Appropriations – Appropriations are granted by the Legislature to make expenditures and to incur obligations. The amount of appropriations reported as revenue is the amount of expenditures.

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

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

Miscellaneous – Revenue from sources not covered by other major categories, such as investment income.

The major expenditure object account titles established by NIS used by the Commission are:

Personal Services – Salaries, wages, and related employee benefits provided for all persons employed by the Commission.

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

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

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

Other significant object account codes established by NIS and used by the Commission include:

Assets – Resources owned or held by a government that have monetary value. Assets include cash accounts, deposits with vendors, and receivable accounts. Accounts receivable are recorded as an increase to revenues and an increase to fund balance on the schedule. Cash accounts and deposits with vendors are also included in fund balance and are reported as recorded on NIS.

Liabilities – Legal obligations arising out of transactions in the past that must be liquidated, renewed, or refunded at some future date. Accounts payable transactions increase expenditures and decrease fund balance.

NEBRASKA COMMISSION FOR THE DEAF AND HARD OF HEARING

NOTES TO THE SCHEDULE

(Continued)

1. Criteria (Concluded)

Other Financing Sources – Proceeds of fixed asset dispositions.

2. State Agency

The Nebraska Commission for the Deaf and Hard of Hearing (Commission) is a State agency established under and governed by the laws of the State of Nebraska. As such, the Commission is exempt from State and Federal income taxes. The schedule includes all funds of the Commission.

The Nebraska Commission for the Deaf and Hard of Hearing is part of the primary government for the State of Nebraska.

3. 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 because interfund balances and transactions have not been eliminated.

4. Capital Assets

Under NIS, capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as expenditures. Capital assets, which would include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) would be reported for the State of Nebraska in the Comprehensive Annual Financial Report (CAFR). The Commission values all capital assets at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Generally, equipment that has a cost of \$500 at the date of acquisition and has an expected useful life of two or more years is capitalized. Depreciation expenses would be reported in the CAFR in the funds used to acquire or construct them for the State of Nebraska. The cost of normal maintenance and repairs that does not add to the value of the asset or extend asset life is not capitalized.

Equipment is depreciated using the straight-line method with estimated useful lives of three to ten years.

NEBRASKA COMMISSION FOR THE DEAF AND HARD OF HEARING

NOTES TO THE SCHEDULE

(Continued)

4. Capital Assets (Concluded)

Capital asset activity of the Commission for the fiscal year ended June 30, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets				
Equipment	\$ 132,948	\$ 2,280	\$ -	\$ 135,228
Less accumulated depreciation for:				
Equipment				<u>65,615</u>
Total capital assets, net of depreciation				<u>\$ 69,613</u>

STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS



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**NEBRASKA COMMISSION FOR THE DEAF AND HARD OF HEARING
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
EXAMINATION OF THE SCHEDULE OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Commission for the Deaf and Hard of Hearing for the fiscal year ended June 30, 2004, and have issued our report thereon dated March 21, 2005. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Mary Avery
SAE/Finance Manager
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Internal Control Over Financial Reporting

Dennis Meyer, CGFM
Subdivision Budget
Coordinator
dmeyer@mail.state.ne.us

In planning and performing our examination, we considered the Nebraska Commission for the Deaf and Hard of Hearing's internal control over financial reporting in order to determine our procedures for the purpose of expressing our opinion on the schedule of revenues, expenditures, and changes in fund balances, and not to provide an opinion 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 Commission for the Deaf and Hard of Hearing's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedule. Reportable conditions are described in the Comments Section of the report as Comment Number 2 (Lack of Segregation of Duties Over Receipts) and Comment Number 6 (Nebraska Information System and Accounting Procedures).

Mark Avery, CPA
Subdivision Audit
Review Coordinator
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Perry Pirsch, JD, MPA
Legal Counsel
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A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial schedule being examined 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 believe that none of the reportable conditions described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nebraska Commission for the Deaf and Hard of Hearing's schedule of revenues, expenditures, and changes in fund balances, is free of 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 determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our examination, 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 also noted certain additional items that we reported to management of the Nebraska Commission for the Deaf and Hard of Hearing in the Comments Section of this report as Comment Number 3 (Lack of Segregation of Duties Over Fixed Assets), Comment Number 4 (Personal Benefit), and Comment Number 5 (Documents Were Not Pre-audited).

This report is intended solely for the information and use of the Commission and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

Handwritten signature of Timothy J. Channer CPA in black ink.

Assistant Deputy Auditor

March 21, 2005

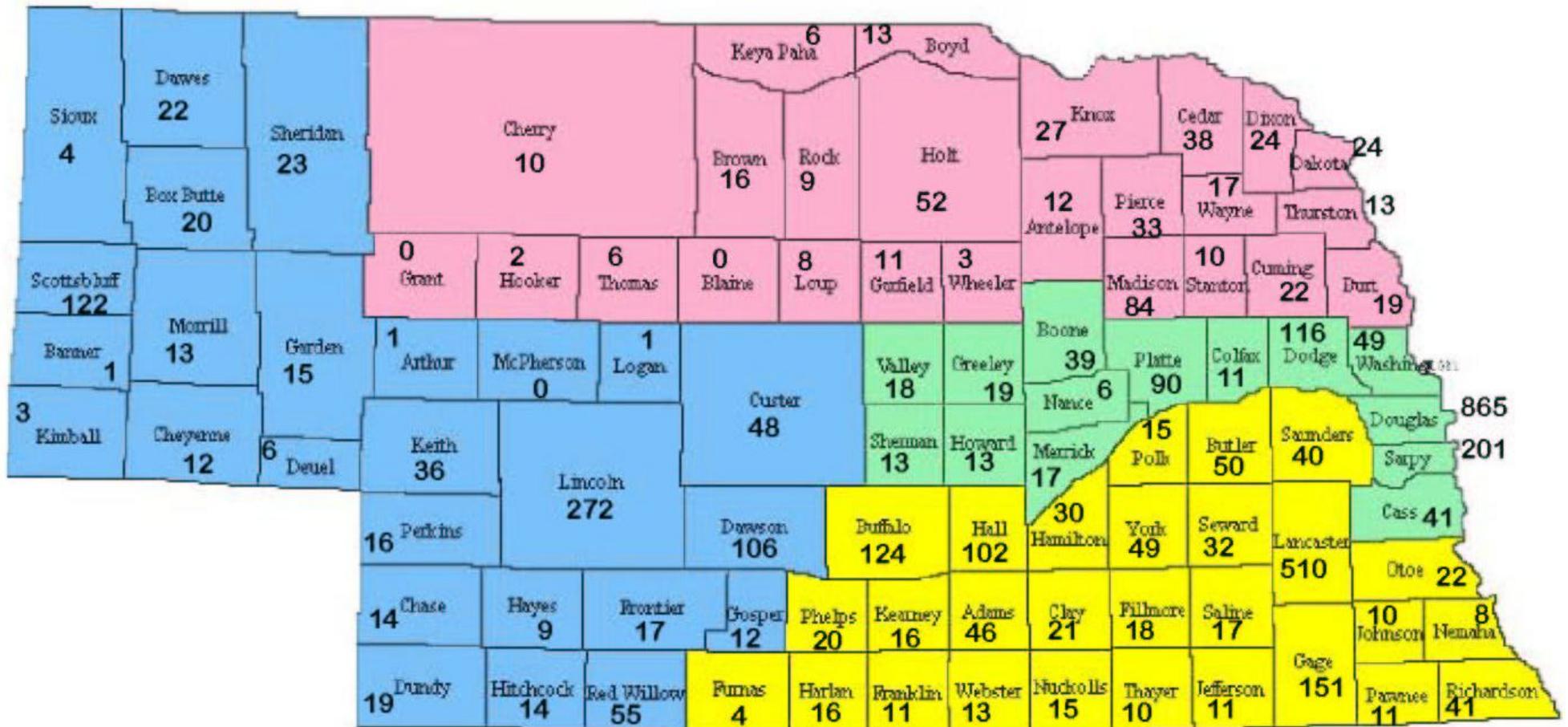
STATISTICAL SECTION

Our examination was conducted for the purpose of forming an opinion on the schedule of revenues, expenditures, and changes in fund balances. Statistical Section information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination of the schedule of revenues, expenditures, and changes in fund balances, and, accordingly, we express no opinion on it.

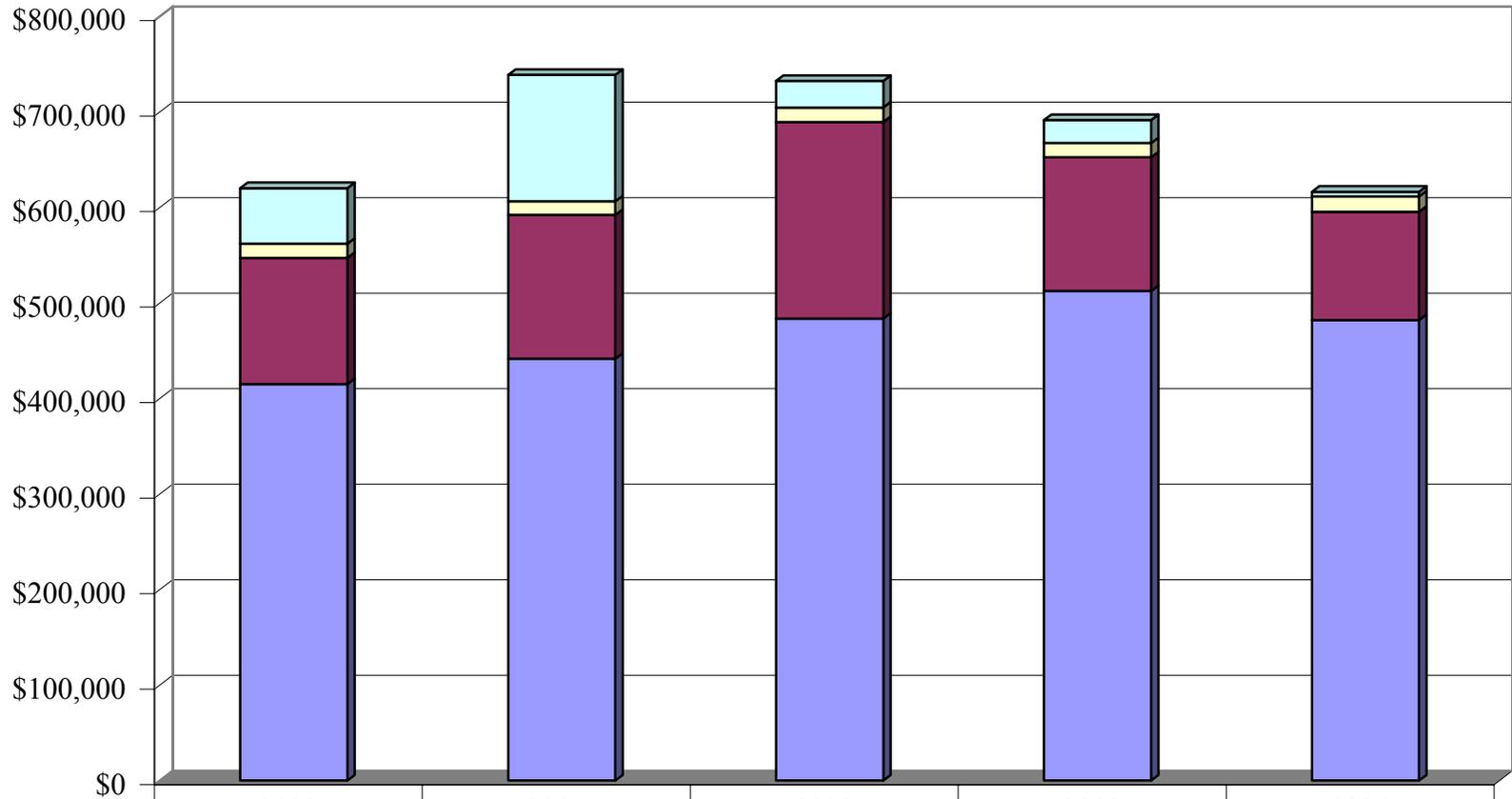
NEBRASKA COMMISSION FOR THE DEAF AND HARD OF HEARING

**2004 CENSUS BREAKDOWN BY COUNTY
OF DEAF AND HARD OF HEARING CITIZENS OF NEBRASKA**

The Nebraska Commission for the Deaf and Hard of Hearing conducts a statewide voluntary census of deaf and hard of hearing individuals. The numbers listed for each county indicate the number of deaf and hard of hearing Nebraskans located in each county. The census total number of deaf and hard of hearing individuals for the entire State of Nebraska is 4,231.

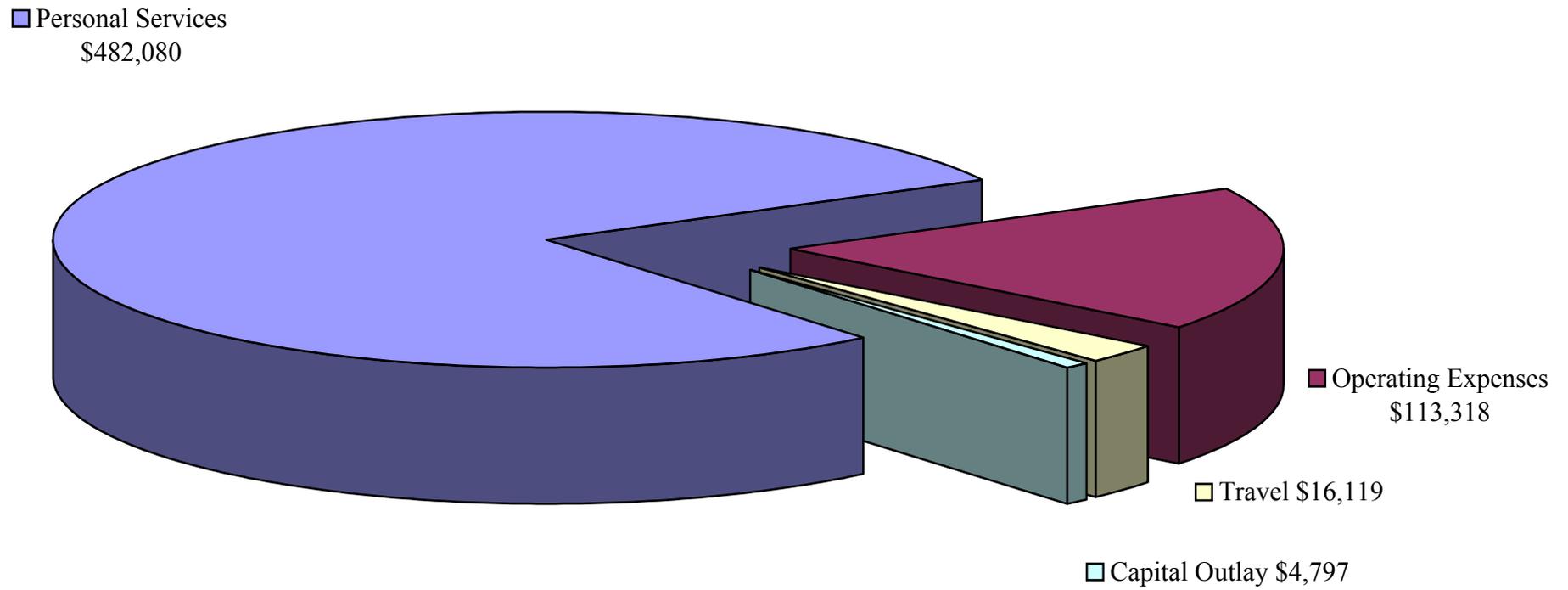


NEBRASKA COMMISSION FOR THE DEAF AND HARD OF HEARING
DISBURSEMENTS BY MAJOR OBJECT ACCOUNT CATEGORY
 Fiscal Years Ended June 30, 2000 through 2004

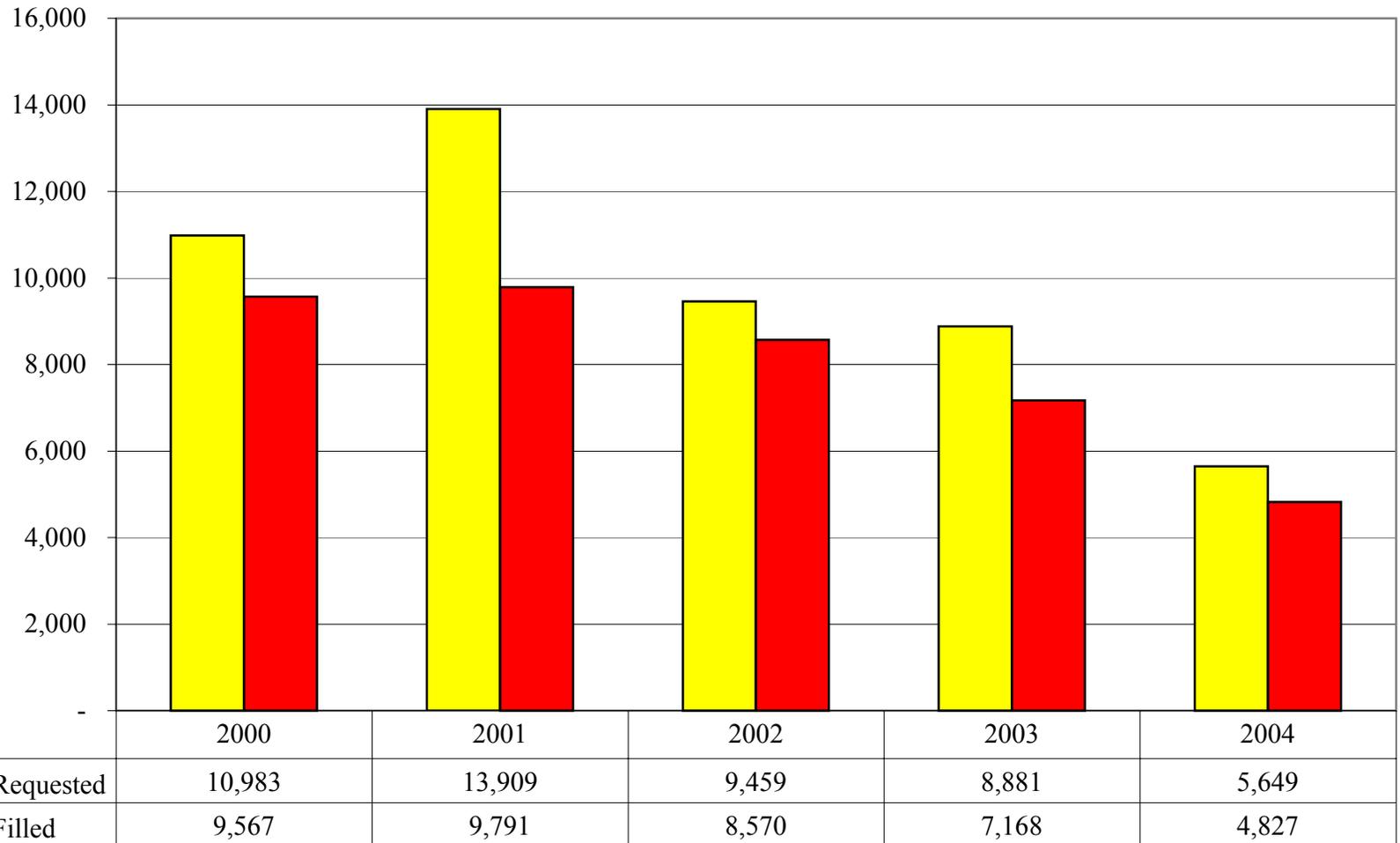


	2000	2001	2002	2003	2004
Capital Outlay	\$58,323	\$132,341	\$27,689	\$24,073	\$4,797
Travel	\$14,770	\$14,448	\$15,174	\$14,880	\$16,119
Operating Expenses	\$132,050	\$150,429	\$205,769	\$140,076	\$113,318
Personal Services	\$415,054	\$441,562	\$483,628	\$512,299	\$482,080

NEBRASKA COMMISSION FOR THE DEAF AND HARD OF HEARING
SCHEDULE OF DISBURSEMENTS
Fiscal Year Ended June 30, 2004



NEBRASKA COMMISSION FOR THE DEAF AND HARD OF HEARING
INTERPRETER REFERRAL SERVICES
 Fiscal Years Ended June 30, 2000 through 2004



Note: The variance between the Interpreter Referral Hours Requested and Filled comes from two causes: 1) Hours are cancelled before they are filled, this cancellation process takes place from the entity that is requesting the Interpreter; and 2) When interpreting hours are unfilled, when the Interpreter Referral Staff is not able to find an Interpreter from the call list to fill the hours as requested.