



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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February 28, 2008

Pearl Van Zandt, Executive Director
Nebraska Commission for the Blind and Visually Impaired
4600 Valley Road, Suite 100
Lincoln, Nebraska 68510-4844

Dear Ms. Van Zandt:

We have audited the basic financial statements of the State of Nebraska (the State) for the year ended June 30, 2007, and have issued our report thereon dated December 28, 2007. We have also audited the State's compliance with requirements applicable to major federal award programs and have issued our report thereon dated February 13, 2008. In planning and performing our audit, we considered the State's internal controls in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements of the State and on the State's compliance with requirements applicable to major programs, and to report on internal control in accordance with the federal Office of Management and Budget (OMB) Circular A-133 (the Single Audit) and not to provide assurance on internal control. We have not considered internal control since the date of our report.

In connection with our audit described above, we noted certain internal control or compliance matters related to the activities of the Nebraska Commission for the Blind and Visually Impaired (the Agency) or other operational matters that are presented below for your consideration. These comments and recommendations, which have been discussed with the appropriate members of the Agency's management, are intended to improve internal control or result in other operating efficiencies.

Our consideration of internal control included a review of prior year comments and recommendations. To the extent the situations that prompted the recommendations in the prior year still exist, they have been incorporated in the comments presented for the current year. All other prior year comments and recommendations (if applicable) have been satisfactorily resolved.

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

The following is our comment and recommendation for the year ended June 30, 2007.

COMMENT RELATED TO THE SINGLE AUDIT

Finding #07-81-01

Program: CFDA 84.126 – Rehabilitation Services – Vocational Rehabilitation Grants to States – Allowable Costs/Cost Principles

Grant Number & Year: #H126A0700407, FFY07

Federal Grantor Agency: U.S. Department of Education

Criteria: OMB Circular A-87, Section E.2, states “Typical direct costs chargeable to Federal awards are: a. Compensation of employees for the time devoted and identified specifically to the performance of those awards.” OMB Circular A-87, Attachment B, Section 8h states “Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation ... Personnel activity reports or equivalent documentation must meet the following standards: (a) They must reflect an after-the-fact distribution of the actual activity of each employee, (b) They must account for the total activity for which each employee is compensated, (c) They must be prepared at least monthly and must coincide with one or more pay periods, and (d) They must be signed by the employee.” Good internal control requires a reasonable method of allocation of salaries, wages, and benefits and documenting the method used.

Condition: The Agency charged 100% of the salaries, wages, and benefits of three employees to Vocational Rehabilitation. The Agency is not 100% funded by Vocational Rehabilitation. These three employees were the Director, Business Manager, and Personnel Officer of the Agency. It does not appear reasonable that individuals in those positions did not have time devoted to areas other than Vocational Rehabilitation.

Questioned Costs: Unknown

Context: The Agency receives funding from State general fund appropriations, cash funds, and other Federal awards. The positions of these three employees would require some of their time be allocated to areas other than Vocational Rehabilitation. Annual salaries for the three employees totaled \$153,637.

Cause: Unknown

Effect: Noncompliance with Federal regulations.

Recommendation: We recommend the Agency review their salary allocation to ensure compliance with Federal regulations.

Management Response: A corrective action plan was implemented on January 21, 2008 to address the issues raised.

Corrective Action Plan: The Agency has implemented a new Time Distribution Record form for all FLSA exempt employees, which includes the three employees noted in the finding. This form allows for daily recording of hours worked for the Agency's federal grants. Agency personnel will fill out the form based on the grant worked on during their work day. We have been advised by our federal partners that this format will fulfill their needs for time distribution identification.

Contact: Bill Brown, Business Manager

Anticipated Completion Date: January 21, 2008

Our audit procedures are designed primarily on a test basis and, therefore, may not bring to light all weaknesses in policies or procedures that may exist. Our objective is, however, to use our knowledge of the Agency and its interaction with other State agencies and administrative departments gained during our work to make comments and suggestions that we hope will be useful to you.

This letter is intended solely for the information and use of the Agency, the Governor and State Legislature, others within the Agency, Federal awarding agencies, pass-through entities, and management of the State of Nebraska. However, this letter is a matter of public record and its distribution is not limited.

We appreciate and thank all of the Agency employees for the courtesy and cooperation extended to us during our audit.



Pat Reding
Assistant Deputy Auditor



Don Dunlap
Assistant Deputy Auditor