

**ATTESTATION REPORT  
OF THE  
NEBRASKA DEPARTMENT OF  
HEALTH AND HUMAN SERVICES  
EASTERN NEBRASKA VETERANS' HOME  
JULY 1, 2007 THROUGH JUNE 30, 2008**

**This document is an official public record of the State of Nebraska, issued by  
the Auditor of Public Accounts.**

**Modification of this document may change the accuracy of the original  
document and may be prohibited by law.**

**Issued on April 6, 2009**

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
EASTERN NEBRASKA VETERANS' HOME

**TABLE OF CONTENTS**

	<u>Page</u>
<b>Background Information Section</b>	
Background	1
Mission Statement	1
Organizational Chart	2
<b>Comments Section</b>	
Exit Conference	3
Summary of Comments	4 - 5
Comments and Recommendations	6 - 22
<b>Financial Section</b>	
Independent Accountant's Report	23 - 24
Schedule of Revenues, Expenditures, and Changes in Fund Balances	25
Notes to the Schedule	26 - 30
<b>Government Auditing Standards Section</b>	
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 <i>Government Auditing Standards</i>	31 - 33
<b>Statistical Section</b>	34
Total Operating Expenditures	35
Total Member Days of Care Furnished	36
Members' Average Daily Census	37
Average Expenditures per Member	38

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
EASTERN NEBRASKA VETERANS' HOME

**BACKGROUND**

The Nebraska Department of Health and Human Services (DHHS) operates four veterans' homes. To live in one of these facilities, veterans must have served in active duty during a war, lived in Nebraska at least two years, and be disabled. Disability qualifications include injury during service, old age, inability to earn a livelihood, whole or partial dependence on public assistance, or requiring care available only at a State facility. Spouses of veterans and Gold Star Mothers and Fathers are eligible under similar requirements.

The focus of the veterans' homes is on wellness, allowing people to live their lives to the fullest through different levels of care: domiciliary, intermediate, and skilled. The homes provide specialized services such as physical therapy and a wide range of recreational and religious services. The homes have a supportive relationship with various veterans' organizations whose members donate time, money, and companionship to the people living there.

Admissions to the four homes are determined on a case-by-case basis by the Board of Inquiry and Review (Board), a separate, independent entity that works closely with the four homes.

The Board consists of both the current and immediate past Department Commander of each of the recognized veterans' organizations in Nebraska and the Director of the Nebraska Department of Veterans' Affairs.

Those veterans without sufficient means to pay the full maintenance fee are charged a reduced amount based on guidelines established by the Board.

Situated on 20 acres near 40th Street and Capehart Road in Bellevue, the new 120-bed Eastern Nebraska Veterans' Home (ENVH) is a modern replacement for the Thomas Fitzgerald Veterans' Home in Omaha which was opened in 1980 in the former Douglas County Hospital Annex.

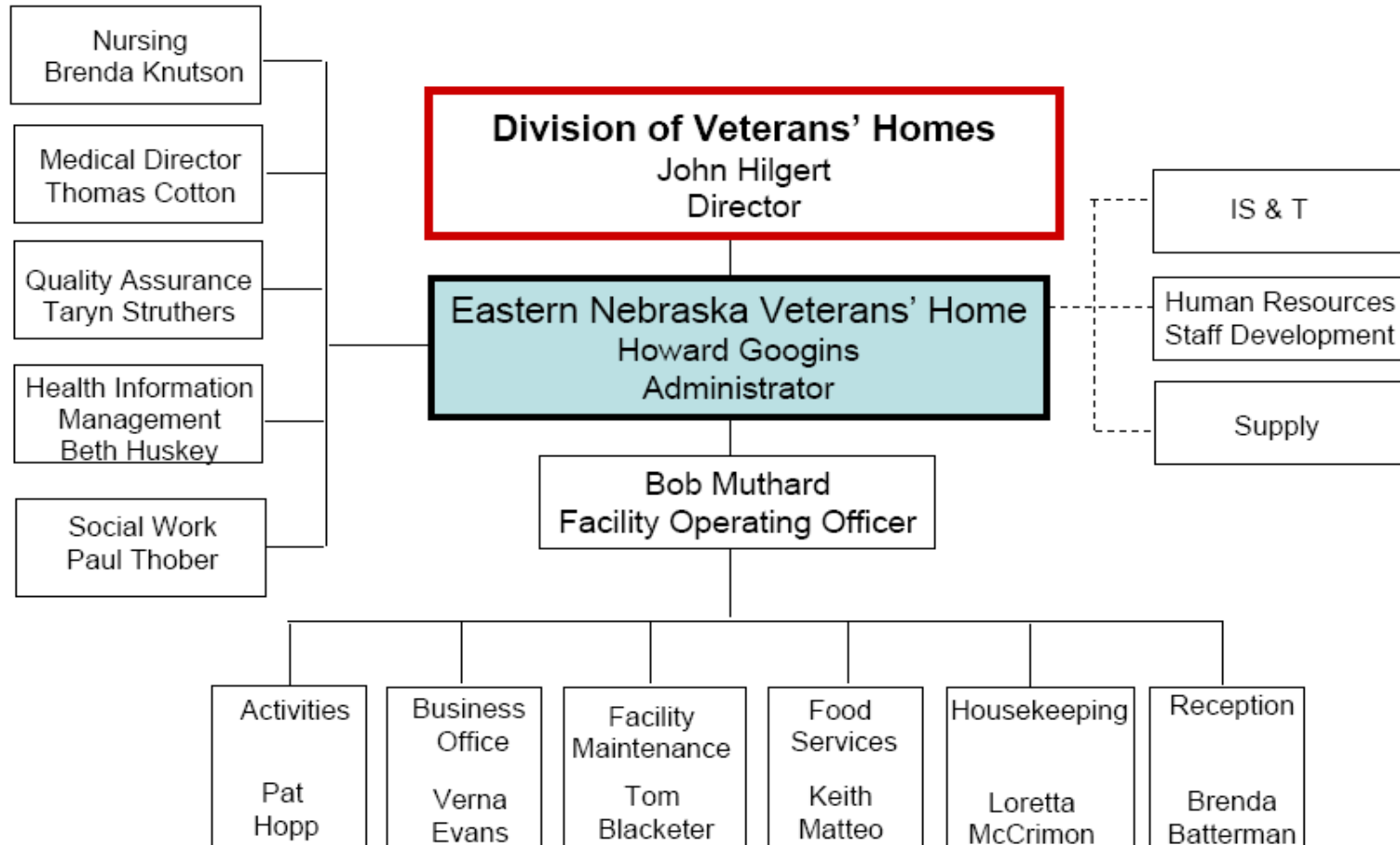
The Home is designed to serve members in four areas: assisted living, intermediate care, skilled care, and Alzheimer's care. Each area serves 30 members and has its own exterior courtyard designed to serve different mobility levels of the members.

**MISSION STATEMENT**

Taking Care of Americas Heroes

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
EASTERN NEBRASKA VETERANS' HOME

**ORGANIZATIONAL CHART**



Gubernatorial Appointee  
 Director Appointees

1/2009

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
EASTERN NEBRASKA VETERANS' HOME

**EXIT CONFERENCE**

An exit conference was held February 10, 2009, with the Department to discuss the results of our examination. Those in attendance for the Nebraska Department of Health and Human Services - Eastern Nebraska Veterans' Home were:

<b>NAME</b>	<b>TITLE</b>
Willard Bouwens	Financial Services Administrator
John Hilgert	Division of Veterans' Homes Director
Howard Googins	ENVH Administrator
Margo Gamet	Director of Operations, Information Systems & Technology
Bob Zagozda	Chief Operating Officer

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
EASTERN NEBRASKA VETERANS' HOME

**SUMMARY OF COMMENTS**

During our examination of the Nebraska Department of Health and Human Services (Department) - Eastern Nebraska Veterans' Home (ENVH), we noted certain matters involving the internal control over financial reporting and other operational matters that are presented here.

1. **Members' Trust Fund:** During testing we noted several errors and concerns related to the Members' Trust Fund including accounting records not reconciling to bank activity; inadequate pledged collateral for bank checking account; inadequate controls over Members' Trust Fund, maintenance fee receipts, and check writing; limitations of the Advanced Institutional Management System (AIMS) computer system; and communication of business office staff.
2. **Reasonableness of Member Maintenance Fee:** The member maintenance fee may not be reasonable when compared to the Division of Veterans Homes expenditures for member maintenance.
3. **Reimbursement of Costs:** During testing we noted three members who were greater than 60 days past due on their maintenance charges, but still resided at ENVH.
4. **Program Expenditures (Other than Payroll):** During testing we noted the following issues related to ENVH expenditures: procurement procedures were not in compliance with State statutes and guidelines, inadequate controls over expenditures, reviews of charges were not documented, and the Master Lease Purchase Program was utilized unnecessarily.
5. **Payroll Expenditures:** During testing we noted the following issues related to ENVH payroll expenditures: inadequate segregation of duties over payroll, I-9 forms not on file, and timesheets not completed or approved.
6. **Supply Inventories:** During testing we noted the following issues related to ENVH supply inventories: inadequate segregation of duties over pharmacy supply inventory, inadequate segregation of duties over general supply inventory, and food supply inventory variances.

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 Department 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

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
EASTERN NEBRASKA VETERANS' HOME

**SUMMARY OF COMMENTS**

(Continued)

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.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
EASTERN NEBRASKA VETERANS' HOME

**COMMENTS AND RECOMMENDATIONS**

**1. Members' Trust Fund**

Good internal control requires procedures to ensure an accurate accounting of all money deposited in the State's Members' Trust Fund.

To live at ENVH, veterans must have served in active duty during a war, lived in Nebraska at least two years, and be disabled. Spouses of veterans and Gold Star Mothers and Fathers are eligible under similar requirements. Veterans or their family members who are admitted to ENVH are referred to as Members. ENVH Members may keep money on deposit in the Members' Trust Fund maintained by the State. Members' money in this fund is either on deposit with the State Treasurer or in a separate bank checking account. Accounting records for the individual Members' accounts in the Members' Trust Fund were maintained on the Advanced Institutional Management System (AIMS) computer system by the ENVH business office staff. Business office staff consists of three individuals: the Business Manager, the Accountant, and the Accounting Clerk. All three staff members have various responsibilities for processing transactions and maintaining accounting records in AIMS related to the Members' Trust Fund.

The Accounting Clerk's two main responsibilities related to the Members' Trust Fund were:

1. receipting smaller deposits presented in person by Members or their friends or relatives; and
2. disbursing petty cash directly to Members at their request.

The Accountant's main responsibilities related to the Members' Trust Fund included:

1. receipting deposits made by mail or direct deposit into the Members' Trust Fund bank checking account;
2. processing disbursements made by check from the bank checking account;
3. billing maintenance fees to Members and transferring the fees from the Members' Trust Fund to the ENVH Cash Fund with the State Treasurer;
4. crediting applicable Members' accounts for interest earned by the Fund in the State's Operating Investment Pool;
5. processing journal entries on the AIMS system adjusting Members' maintenance and trust accounts; and
6. compiling monthly manual reports of accounting activity for use in the Business Manager's bank reconciliation.

The Business Manager's main responsibilities related to the Members' Trust Fund included:

1. reconciling Members' Trust Fund bank checking account to AIMS;
2. processing disbursements made by check from the bank checking account; and
3. supervising and monitoring the Accountant's and Accounting Clerk's duties and performance.

Members of ENVH are charged a monthly maintenance fee as determined by the Nebraska Department of Veterans' Affairs Board of Inquiry and Review (Board) per State statute. Those members without sufficient means to pay the full maintenance fee are charged a reduced amount



NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
EASTERN NEBRASKA VETERANS' HOME

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**1. Members' Trust Fund** (Continued)

based on guidelines established by the Board. ENVH business office staff is responsible for billing and collecting these fees on a monthly basis. Generally, all Members' money is receipted and deposited into the Members' Trust Fund bank checking account. When the monthly maintenance fees are billed, the Accountant electronically transfers the maintenance fees from the Members' Trust Fund to the ENVH Cash Fund.

During our testing, we noted the following issues related to the accounting of Members' money deposited in the Members' Trust Fund.

**Accounting Records for the Members' Trust**

Good internal control requires accounting records accurately reflect all financial transactions related to the Members' Trust Funds and documentation supporting the accounting records also be accurately maintained.

Members' Trust Fund financial activity per ENVH's accounting records did not agree to activity per the supporting documentation. Also, certain bank transactions were not accounted for properly in AIMS and other bank transactions did not agree to supporting documentation.

- **Supporting Documentation** – Monthly manual reports prepared by the Accountant calculated a change in fund balance which led to ending net assets of \$129,539, as of June 30, 2008. However, the AIMS System showed ending net assets as \$134,876; a variance of \$5,337. Auditors and management could not determine the reason for the variance. The monthly manual reports also showed Members' maintenance revenue of \$2,160,057 but maintenance revenue of \$2,155,979 was recorded in the Nebraska Information System (NIS), the State's accounting system, a variance of \$4,078. As noted in the Bank Reconciliations section of this comment, the Business Manager was not completing a proper bank reconciliation in a timely manner and did not review or follow up on inconsistencies or variances.
- **Un-reclaimed Funds** – Members often have Veterans' benefits and Social Security payments directly deposited into the Members' Trust Fund checking account at First National Bank of Omaha. When a Member passes away, there is often a period of time ENVH continues to receive benefits for the deceased Member. Eventually, these funds are reclaimed by Veterans' Affairs or Social Security through an automatic withdrawal. ENVH business office staff tracks these funds manually, but not in the AIMS system. We noted two deceased Members received Veterans' Affairs payments electronically in June 2008 which were not noted as "un-reclaimed" on the monthly bank reconciliation performed by the Business Manager. The payments were for \$1,554 and \$1,519. It was not known by ENVH business office staff how many more of these "un-reclaimed" deposits were not correctly accounted for. When asked, ENVH business office staff was

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
EASTERN NEBRASKA VETERANS' HOME

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**1. Members' Trust Fund** (Continued)

not sure what the true balance of un-reclaimed funds was as of June 30, 2008, nor were they sure if the depositing agencies had properly and accurately withdrawn amounts previously deposited.

- **Bank Charges** – We noted monthly service charges being applied to the Members' Trust Fund bank checking account beginning in May 2008. The Business Manager was unsure why the bank began making the service charges and had not inquired with the bank as to why the charges were being made. These charges were not allocated to the members' accounts, creating an over-statement of the members' account balances. The bank charges were \$41 in May and \$71 in June 2008.
- **Maintenance Fees** – Maintenance fees billed and transferred from the Members' Trust Fund to the ENVH Cash Fund were not correct. During our review of bank reconciliations we discovered maintenance fee errors in fiscal year 2008 of an over-draw of \$132 in January and two under-draws of \$255 and \$168 in May. Additionally, Members who pay a reduced maintenance fee due to their financial situation do not receive interest earned by the Member's Trust Fund in the State's Operating Investment Pool. This interest is rescinded and charged as part of their reduced maintenance fee. In May 2008, \$61 was not transferred from the Members' Trust Fund to the ENVH Cash Fund as part of rescinded interest for the month.

Without proper accounting records, there is an increased risk of errors or irregularities related to the accounting of the Members' Trust Fund.

We recommend ENVH develop procedures to ensure business office staff maintain accurate accounting records reflecting all financial transactions related to the Members' Trust Fund and documentation supporting these accounting records be maintained.

*ENVH's Response: The department agrees with the recommendation, see the Corrective Action Plan at the end of this section.*

**Bank Reconciliations**

Good internal control requires a regular, timely reconciliation of financial institution statements to accounting records be performed. Good internal control also requires an adequate segregation of duties requiring an individual without check signing authority perform the reconciliation or a documented review of the reconciliation.

The Members' Trust Fund checking account statements did not reconcile to accounting records maintained by the ENVH business office staff. The bank balance was greater than the accounting records indicated they should be. We determined an unknown reconciling variance of \$46,910 as of the June 30, 2007, bank statement. The unknown variance increased \$9,057 to

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
EASTERN NEBRASKA VETERANS' HOME

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**1. Members' Trust Fund** (Continued)

\$55,967 as of the June 30, 2008, bank statement. The Business Manager attempted to perform reconciliations on a monthly basis, but the procedures utilized caused the reconciliations to be flawed. The reconciliations did not begin with the bank statement ending balance and AIMS balance as of the statement date, and did not identify reconciling items between the two until the balances agreed. The attempted bank reconciliations for the Members' Trust Fund were not performed on a monthly basis during the fiscal year, with the Business Manager being as much as four months behind on the reconciliations. We also noted the Business Manager had check signing authority, performed the bank reconciliations, and there was no documented review of the bank reconciliations by an individual without check signing authority.

There is an increased risk of errors or irregularities occurring and going undetected when proper and timely reconciliations are not performed or reviewed by an individual without check signing authorization. Since the bank records could not be reconciled to accounting records, there is also an increased risk errors or irregularities have occurred and gone undetected.

We recommend ENVH perform timely bank reconciliations each month when the Members' Trust Fund checking account statement is received. We further recommend the reconciliation be performed or reviewed by a management individual without check signing authorization. Any reconciling variances should be promptly investigated and appropriate adjustments made by management.

*ENVH's Response: The department agrees with the recommendation, see the Corrective Action Plan at the end of this section.*

**Pledged Collateral**

Neb. Rev. Stat. § 77-2398 (Reissue 2003) states, "As an alternative to the requirements to secure the deposit of public money or public funds in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC) pursuant to sections 77-2389 and 77-2394, a bank...designated as a public depository may secure the deposits of one or more governmental units by providing a deposit guaranty bond or by depositing, pledging, or granting a security interest in a single pool of securities to secure the repayment of all public money or public funds deposited in the bank...by such governmental units and not otherwise secured pursuant to law, if at all times the total value of the deposit guaranty bond is at least equal to the amount on deposit which is in excess of the amount so insured."

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
EASTERN NEBRASKA VETERANS' HOME

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**1. Members' Trust Fund** (Continued)

The Member's Trust Fund bank checking account maintained a normal balance in excess of \$100,000. FDIC coverage alone was not adequate to fully protect all deposits during the year and there was no additional pledged collateral to secure amounts deposited in excess of \$100,000. We noted the bank checking account balance was consistently in excess of \$100,000 and was as high as \$384,377 at one point during the fiscal year.

Money deposited in the Members' Trust Fund checking account is at greater risk of loss if all amounts in excess of FDIC coverage are not secured by pledged collateral.

We recommend all bank deposits in the Members' Trust Fund checking account in excess of FDIC coverage be secured by pledged collateral.

*ENVH's Response: The department agrees with the recommendation, see the Corrective Action Plan at the end of this section.*

**Controls Over Members' Trust Fund and Maintenance Fee Receipts**

Good internal control requires all cash receipts be promptly entered in the accounting records and checks restrictively endorsed "For Deposit Only with the Nebraska State Treasurer" immediately upon receipt. Good internal control also requires an adequate segregation of duties over receipts so no one individual is in a position of handling all phases of a transaction from beginning to end.

Members' Trust Fund and Maintenance Fee cash receipts were not recorded in AIMS in a timely manner and checks were not restrictively endorsed "For Deposit Only with the Nebraska State Treasurer" when received. During audit fieldwork, a surprise cash count was conducted, ENVH business office staff had cash receipts on hand totaling \$104,052. These consisted of \$4,766 in cash and 64 checks totaling \$99,286. This money had not been entered into the accounting records and none of the 64 checks had been restrictively endorsed.

We noted ENVH did not have an adequate segregation of duties over receipts. One person was capable of handling all aspects of processing revenue transactions from beginning to end. We further noted staff responsible for receiving cash were also able to make adjustments to Members' trust account balances in AIMS without another individual's review or approval.

There is an increased risk of loss or misappropriation of cash receipts if they are not promptly recorded in AIMS and checks are not restrictively endorsed "For Deposit Only with the Nebraska State Treasurer" immediately upon receipt. There is also an increased risk of errors or irregularities being perpetrated or concealed when there is not an adequate segregation of duties over cash receipts.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
EASTERN NEBRASKA VETERANS' HOME

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**1. Members' Trust Fund** (Continued)

We recommend all receipts be promptly recorded in AIMS when received by ENVH business office staff and all checks be restrictively endorsed "For Deposit Only with the Nebraska State Treasurer" upon receipt. We also recommend ENVH adequately segregate duties over cash receipts or establish compensating controls. These would include ensuring no employees receive, record, and maintain custody of cash. We further recommend ENVH develop a procedure to ensure adjustments to Members' Trust Accounts in AIMS are reviewed in a timely manner.

*ENVH's Response: The department agrees with the recommendation, see the Corrective Action Plan at the end of this section.*

**Check Writing Controls**

Good internal control requires an adequate segregation of duties over check writing for the Members' Trust Fund bank checking account. Good internal control also requires electronic check writing and registers be utilized on a consistent basis.

Employees had custody of checks, the authority to sign checks, and also maintained the check register. AIMS has an electronic check register and check writing capabilities to provide additional controls over the check writing function that ENVH did not fully utilize. ENVH allowed some checks to be written manually from a typewriter and utilized a manual check register, instead of the more secure electronic check writing and register function in AIMS. ENVH used 301 manually written checks and 300 computer written checks during the fiscal year.

Without an adequate segregation of duties, there is an increased risk of loss or misuse of the Members' Trust Fund bank checking account. There is also an increased risk of errors or irregularities when electronic check writing and register functions in AIMS are not utilized.

We recommend ENVH implement an adequate segregation of duties over check writing for the Members' Trust Fund bank checking account. We also recommend all checks be processed through AIMS.

*ENVH's Response: The department agrees with the recommendation, see the Corrective Action Plan at the end of this section.*

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
EASTERN NEBRASKA VETERANS' HOME

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**1. Members' Trust Fund** (Continued)

**AIMS Limitations**

Good internal control requires transactions be reviewed and approved prior to processing in computer systems and reports with sufficient detail be available for review and reconciliation purposes.

We noted two significant limitations related to AIMS during our testing:

1. There was no integrated approval process for processing transactions in AIMS. Transactions, including receipts, disbursements, and journal entries, could be processed from start to finish by one user in AIMS.
2. The reporting function in AIMS was very limited. There were no reports available that provided a detailed listing of all transactions for a specified time period. Because of this limitation, the ENVH Accountant prepared a manual list of all transactions on a monthly basis.

The Department's Division of Veterans' Homes is in the process of implementing a new system to replace AIMS.

There is a greater risk of erroneous or irregular entries being processed and going undetected without review and approval by another individual. There is also a greater risk of errors being recorded on the manual listing, which could affect the monthly reconciliation of accounting to bank records for the Members' Trust Fund.

We recommend the Department ensure the new computer system replacing AIMS have an integrated review and approval system or external compensating controls related to entering transactions. We also recommend the new system have reports with adequate details to facilitate monthly reconciliations of the bank statements without requiring a manual listing.

*ENVH's Response: The department agrees with the recommendation, see the Corrective Action Plan at the end of this section.*

**Business Office Staff Communication**

Good internal control requires effective communication between ENVH business office staff members.

The Business Manager and Accountant did not effectively communicate with each other regarding ENVH and Member Trust financial activities. Several times during the course of our fieldwork, inquiries were made of both individuals that they were unable to answer. A common

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
EASTERN NEBRASKA VETERANS' HOME

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**1. Members' Trust Fund** (Concluded)

response was the other person was responsible and we would have to ask them. Some questions posed by the auditor to both individuals would be referred to the other. Both individuals spoke to each other very infrequently and when they did speak to each other, they would often interrupt or be dismissive of what the other had said.

There is an increased risk of errors or omissions being concealed or going undetected when ENVH business office staff does not communicate effectively.

We recommend ENVH work to ensure that clear and open lines of communication are established and maintained by ENVH business office staff.

*ENVH's Response: The department agrees with the recommendation, see the Corrective Action Plan at the end of this section.*

*Corrective Action Plan: The Division of Veteran's Homes has initiated a project to replace the software used in all the facilities, so after FY '09 the AIMS system will no longer be used. Finance will survey the Veteran's Homes to determine all of the issues in processing transactions relating to the members' trust accounts, then develop new procedures and controls in conjunction with the new software in order to provide acceptable control over processing these transactions. Finance will also assist ENVH in resolving the items in the account reconciliation. Communication issues in the ENVH Business Office have been addressed through the disciplinary process.*

*Contact: Willard Bouwens*

*Anticipated Completion Date: Reconciliation June 30, 2009. HCIS install September 30, 2009.*

**2. Reasonableness of Member Maintenance Fee**

Neb. Rev. Stat. § 80-322 (Reissue 2008) states "Any veteran, spouse, surviving spouse, or parent admitted ...will be required to reimburse the state monthly a reasonable amount for the expense of his or her maintenance."

The Members' maintenance fee may not be reasonable when compared to the Division of Veterans' Homes expenditures for Members' maintenance. This fee may be reduced based on a Member's ability to pay per criteria established by the Veterans' Home Board. ENVH receives a daily per diem from the U.S. Department of Veterans' Affairs to assist with the cost associated with caring for the Members. The Members' maintenance fee established by the Veterans' Home Board was \$2,914 per month. We estimated the average cost of Members' maintenance in excess of Federal per diem reimbursements for all four Nebraska veterans' homes for March

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
EASTERN NEBRASKA VETERANS' HOME

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**2. Reasonableness of Member Maintenance Fee (Concluded)**

2008 to be \$4,892. This amount was calculated based on nursing and domiciliary care per diem costs on Federal per diem reports submitted by the Division of Veterans' Homes. The Veterans' Home Board established the current rate at their February 2008 meeting. The meeting minutes do not indicate what factors were taken into consideration in determining the rate.

The Members' maintenance fee may not be in compliance with State Statute.

We recommend the Department report to the Veterans' Home Board the actual costs of providing services on a periodic basis so the Board may consider these when establishing a reasonable amount for the Members' maintenance fee.

*ENVH's Response: The Nebraska Department of Health and Human Services is not in a position to neither dispute nor concur with the stated possibility that the Member's maintenance fee may not be in compliance with State Statute as to the extent of reasonableness.*

*It is the duty of the Veterans Home Board according to Neb. Rev. Stat. § 80-322 to set the maintenance charge for members in the Veterans Home System and to make the determination as to the reasonableness of that charge.*

*Contact: John Hilgert*

*Anticipated Completion Date: June 30, 2009*

**3. Reimbursement of Costs**

Neb. Rev. Stat. § 80-322 (Reissue 2008) states, "Any veteran, spouse, surviving spouse, or parent admitted to one of the Nebraska veterans homes...who has an income in excess of forty dollars per month, including federal pension, compensation, or social security, or has sufficient assets will be required to reimburse the state monthly a reasonable amount for the expense of his or her maintenance."

Veterans' Home Board policy states, "A member may be involuntarily discharged for other cause including, but not limited to, commission of any of the following acts by a member or the member's spouse, adult relative, legal representative or other fiduciary...Failure to pay the member's maintenance charge within 60 days of the due date."

During testing, we noted three Members who were greater than 60 days past due on their maintenance charges but still resided at ENVH.



NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
EASTERN NEBRASKA VETERANS' HOME

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**3. Reimbursement of Costs (Concluded)**

As of June 30, 2008, three Members had maintenance balances overdue by 60 days or more, but also had income greater than forty dollars or sufficient assets. Total past due for the three members was \$94,622 as of June 30, 2008, and were 4 to 25 months overdue. We noted no involuntary discharge action taken against Members as of June 30, 2008.

The Veterans' Home Board has sole authority to involuntarily discharge Members from ENVH. Members who are more than 60 days past due on their maintenance fees are reported to the Veterans' Home Board on a quarterly basis by ENVH.

ENVH Members have not paid their maintenance fees as required by State statute and continue to reside at ENVH.

We recommend ENVH strengthen their collection procedures. We also recommend ENVH continue reporting Members who have not paid their maintenance fees to the Veterans' Home Board so they may consider involuntary dismissal of these Members.

*ENVH's Response: We have several collection cases in litigation.*

*Corrective Action Plan: Nevertheless the Nebraska Department of Health and Human Services, Division of Veterans Homes will report to the Veterans Home Board the actual cost of providing services on a periodic basis so the members of the Board may consider this information when establishing a reasonable amount for the maintenance fee.*

**4. Program Expenditures (Other Than Payroll)**

During our testing, we noted the following issues related to program expenditures.

**Procurement Procedures**

Neb. Rev. Stat. § 81-153(1) (Reissue 2008) states the materiel division shall have the power and duty to "Purchase or contract for, in the name of the state, the personal property required by the agencies and the state."

The State Purchasing Bureau, Direct Market Purchasing Authority states, "Agencies are to obtain a minimum of three bids on purchases for goods over \$2,000."

Good internal control requires all contracts be monitored for compliance.

Sound business practice requires entities have legal counsel perform a documented review of contracts before entering into them.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
EASTERN NEBRASKA VETERANS' HOME

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**4. Program Expenditures (Other Than Payroll)** (Continued)

Sound business practice also requires contracts for goods include agreed upon prices.

We noted the following during our testing of ten contract expenditures:

- Hourly rates set forth in one of the temporary staffing services contracts were different from rates billed on an invoice. The invoice rates for Certified Nursing Assistants (CNAs) and Licensed Practical Nurses (LPNs) were higher than the contract rates. The difference equaled an over payment of \$395 for the expenditure tested. This contract did not have documentation indicating proper monitoring, which should have detected the overbilling.
- There was not adequate documentation to support the selection of two additional vendors who provided goods costing more than \$2,000.
- There was a contract between ENVH and a vendor for member medications including non-veteran, non-aid, and dependent medications, which did not have specific and enforceable contract prices for goods. This made it impossible to monitor the contract against expenditures. Also, the contract was not reviewed by legal counsel and a request was not submitted to DAS Materiel Division to initiate competitive bidding for the contract.

ENVH was not in compliance with State Purchasing Bureau procurement policies. There is also an increased risk of ENVH entering into a detrimental contract when a documented legal review is not performed. Additionally, there is an increased risk of contract terms not being fulfilled when there is not adequate, documented monitoring.

We recommend ENVH review their policies to ensure all contracts are reviewed by legal counsel, contain specific contract prices, and are monitored consistently to verify contract expenditures are paid accurately. ENVH should also acquire and maintain three bids in order to document their selection of vendors for expenditures for goods over \$2,000.

**Internal Controls Over Expenditures**

Good internal control requires the NIS General Ledger Detail Report be reviewed on a periodic basis to ensure only appropriate transactions are posted to the General Ledger. Also, paid invoices should be marked as such to avoid duplicate payments.

We noted that the General Ledger Detail Report was not reviewed by ENVH staff and invoices were not marked paid to prevent duplicate payments.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
EASTERN NEBRASKA VETERANS' HOME

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**4. Program Expenditures (Other Than Payroll) (Continued)**

Expense reimbursement documents were entered into NIS by the Department's central office staff and there was no review of the General Ledger Detail Report done by ENVH business office staff to ensure that coding and amounts were correct for the expenditures posted to the General Ledger. The ENVH Business Manager indicated the NIS Budget Status Report was reviewed on a regular basis; however, this report does not have sufficient detail to provide the required level of control. We also noted an incorrect journal entry was made during fiscal year 2007 that was not detected. The journal entry moved consulting expenditures from the General Fund to the Cash Fund. This created a negative expenditure account balance of \$99,956 in the Cash Fund.

There is an increased risk that inappropriate transactions could be posted to the General Ledger and would go undetected. There is also an increased risk of invoices being paid multiple times if they are not properly marked to prevent reuse.

We recommend ENVH implement procedures to review the General Ledger Detail Report on a periodic basis to ensure only appropriate transactions are posted to the General Ledger. We further recommend ENVH mark all paid invoices to prevent duplicate payments.

*ENVH's Response and Corrective Action Plan: The Department agrees with the recommendations on Procurement Procedures and Internal Controls Over Expenditures and will ensure that procedures are followed.*

**Master Lease Purchase**

The DAS Master Lease Purchase Program (MLPP) states, "Occasionally, situations arise where agencies need to make significant, one-time purchases (such as ... motor vehicle ...) that their annual budget appropriations cannot accommodate. When such situations arise, agencies may inquire with State Accounting regarding the feasibility of a new Master Lease Issue. The MLPP is available to provide agencies a method to finance significant equipment acquisitions." The MLPP further states that amounts to be financed are "normally, equipment costing not less than \$50,000 and not more than \$5,000,000."

We noted ENVH purchased a van for \$33,000 with the intention of financing the vehicle through the MLPP. When the vehicle was approved for the MLPP after having already been purchased, a reimbursement was made to ENVH for the purchase price of the vehicle. Per review of ENVH's Allotment Status Report on June 30, 2008, available appropriations of \$379,479 remained, a sufficient amount to purchase the van outright.

The State has incurred and will incur additional unnecessary financing expenditures due to leasing the van.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
EASTERN NEBRASKA VETERANS' HOME

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**4. Program Expenditures (Other Than Payroll) (Concluded)**

We recommend ENVH implement procedures to ensure that the MLPP is utilized for only significant items purchased that are over \$50,000. In addition, procedures should be in place to make certain the MLPP is only used when annual budget appropriations cannot accommodate the equipment purchase.

*ENVH's Response and Corrective Action Plan: The Department disagrees with the recommendation on the Master Lease Purchase. At the time of purchase, a budget analysis was done and budget was not available to make this purchase. The Department provided the Auditor's with documentation of the status. In addition, on June 30, 2008, \$375,000 of funds carried over were for encumbered payroll.*

*Contact: Howard Googins*

*Anticipated Completion Date: June 30, 2009*

**APA Response: We continue to recommend DHHS follow the Master Lease Purchase Program guidelines of financing items costing greater than \$50,000. Items below this threshold should be budgeted for in the appropriations process to ensure no unnecessary financing charges are incurred by the State and taxpayers.**

**5. Payroll Expenditures**

During our testing we noted the following issues related to ENVH payroll expenditures.

**Segregation of Duties Over Payroll**

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

ENVH did not maintain an adequate segregation of duties over payroll processing. There was not a supervisor's review of the final payroll register prior to notification to the Department's Central Payroll that payroll was ready for processing. The ENVH Human Resources (HR) Assistant was responsible for preparing and processing payroll and notifying the Department's Central Payroll that it was ready to be processed. The ENVH HR Manager did not perform a documented review and approval of payroll prior to the HR Assistant notifying the Department's Central Payroll. ENVH also did not compare payroll input from the Kronos timekeeping system to payroll outputs from NIS. At the end of each pay period, information from ENVH's timekeeping system was electronically imported into NIS for payroll. There was no comparison of the data from each system after the import to ensure that all information was transferred from Kronos to NIS accurately.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
EASTERN NEBRASKA VETERANS' HOME

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**5. Payroll Expenditures** (Continued)

There is an increased risk that errors or irregularities could go undetected without a supervisor's review of the final payroll register prior to processing. There is also an increased risk that payroll is not accurately recorded and paid when inputs are not compared to outputs.

We recommend ENVH implement procedures to ensure an adequate segregation of duties is in place. These procedures should include a supervisor's review of the final payroll prior to processing to ensure all employees are paid correctly. We also recommend payroll input be periodically compared with payroll output. This can be accomplished by comparing total hours input from Kronos with total hours output from NIS, or comparing selected employees input from Kronos with output from NIS.

**I-9 Forms Not on File**

The 1986 Immigration Reform Control Act requires employees complete the Department of Justice Employment Eligibility Identification (I-9) on the first day of employment. Good business practices include maintaining readily available I-9 forms for each employee.

We noted 8 of 15 employees tested did not have an I-9 form on file.

The Department's practice is to maintain I-9 forms at each respective work location. The HR Assistant stated that they are normally received the first day of an employee's training.

ENVH was not in compliance with Federal law.

We recommend ENVH implement procedures to ensure I-9 forms are kept on file for all current and former employees.

**Timesheets Not Completed or Approved**

Neb. Rev. Stat. § 84-1001(1) (Reissue 1999) states, "All state officers and heads of departments and their deputies, assistants, and employees, except permanent part-time employees, temporary employees, and members of any board or commission not required to render full-time service, shall render not less than forty hours of labor each week except any week in which a paid holiday may occur."

Good internal control also requires timesheets be approved by both the employee and the employee's supervisor.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
EASTERN NEBRASKA VETERANS' HOME

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**5. Payroll Expenditures** (Concluded)

The ENVH Administrator and HR Manager did not complete timesheets and did not document their compliance with State Statute.

We also noted 1 of 15 employees tested did not have their supervisor's approval noted on their timesheet.

There is an increased risk of employees not complying with State Statute when timesheets or other documentation of their compliance with State Statute is not completed. There is also an increased risk of loss or misuse of State funds when employee timesheets are not reviewed and approved by supervisors.

We recommend ENVH implement procedures to require completion of timesheets by all employees regardless of position and all timesheets be reviewed and approved by supervisors.

*ENVH's Response and Corrective Action Plan: The Payroll Register is reviewed by the Payroll HR Manager in Central Office. Therefore, the agency believes there is adequate segregation of duties. The process for payroll review has been reviewed and approved by the Department of Administrative Services. The Agency would agree that there could be a periodic review of total hours recorded in Kronos with total hours in NIS by comparing selected employees input from Kronos with output from NIS.*

*The Agency agrees that I-9's must be retained on all current employees and should not be disposed of until 1 year after termination as identified in the I-9 Instructions for retention issued by the Department of Homeland Security.*

*Current employees who did not have I-9s on file are being asked to provide the proper identification so that an I-9 can be completed and on file.*

*The Fair Labor Standards Act does not require exempt staff to record hours worked. The statute cited does not require the documentation of hours worked. Exempt employees report leave used and that is recorded in NIS. It is the position of DHHS that exempt staff are not to record hours worked each week.*

*Contact: Linda Gerner*

*Anticipated Completion Date: June 30, 2009*

**APA Response:** We continue to recommend those employees exempt from the Fair Labor Standards Act provide a documented certification that they worked at least 40 hours per week during the pay period, and are in compliance with State statute. This recommendation does not require exempt staff to record hours worked each week, only document that they worked the statutorily required amount of hours at a minimum.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
EASTERN NEBRASKA VETERANS' HOME

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**6. Supply Inventories**

During our testing we noted the following issues related to ENVH supply inventories.

**Pharmacy Supply Inventory**

Good internal control requires an adequate segregation of duties over pharmacy inventory or compensating controls if that is not possible.

We noted it was possible for one individual to receive, record, and maintain custody of pharmacy inventory without adequate supervision or review and there were no compensating controls to ensure that errors or irregularities were not perpetrated or concealed. We also noted a periodic system of tracking non-controlled pharmacy inventory was used even though the pharmacy's computer system supported a more accurate perpetual system.

There is an increased risk of loss or misappropriation of pharmacy inventory when one individual is in a position to perpetrate or conceal errors or irregularities.

We recommend ENVH institute controls to ensure that no one individual is in a position to perpetrate or conceal errors or irregularities. We also recommend ENVH utilize the periodic inventory function in the pharmacy's computer system.

*ENVH's Response and Corrective Action Plan: The Department agrees with the recommendation and was in the process of changing this procedure and will ensure that proper controls are in place.*

**Segregation of Duties Over General Supply Inventory**

Good internal control requires an adequate segregation of duties to ensure no one individual is in a position to perpetrate or conceal errors or irregularities.

We noted there was a lack of segregation of duties over ENVH's supply inventory. These supplies included non-pharmaceutical medical supplies, office supplies, cleaning and maintenance supplies, and food supplies.

The Supply Supervisor had custodial and recording duties over supply inventories and supervised the annual count of supply inventory.

There is an increased risk of errors or irregularities being concealed or perpetrated when there is not an adequate segregation of duties.

We recommend ENVH implement procedures to ensure an adequate segregation of duties or compensating controls if segregation of duties is not practical.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
EASTERN NEBRASKA VETERANS' HOME

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**6. Supply Inventories** (Concluded)

*ENVH's Response and Corrective Action Plan: Support Services agrees with this finding and to address the issue we are in the process of implementing a new computer system (NIS Inventory Module) with added checks and balances. In addition, we will have two staff involved in each transaction and in the cycle count/annual count.*

**Food Supply Inventory Variances**

Good internal control requires inventory amounts be accurately recorded in accounting records.

Amounts did not agree for two of five items traced from list to floor. Amounts also did not agree for one of five items traced from floor to list.

AIMS listed eight gallons of ranch dressing with the actual amount on hand being seven gallons. AIMS also listed six cases of four ounce chicken breasts with the actual amount on hand being four cases. Actual amount of buffet ham on hand was 128 pounds with AIMS amount listed at 64 pounds.

There is an increased risk of loss or misappropriation of State assets when food supply inventory records are not accurately maintained.

We recommend ENVH develop procedures to ensure food supply inventory counts are accurately recorded on AIMS.

*ENVH's Response and Corrective Action Plan: Support Services agrees with this finding and are working with the Food Service Manager to create accountability and security for those who enter that area after hours.*

*Contact: Howard Googins and Amir Azimi*

*Anticipated Completion Date: June 30, 2009*





# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley  
State Auditor

Mike.Foley@nebraska.gov  
P.O. Box 98917  
State Capitol, Suite 2303  
Lincoln, Nebraska 68509  
402-471-2111, FAX 402-471-3301  
www.auditors.state.ne.us

## NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES EASTERN NEBRASKA VETERANS' HOME

### INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Department of Health and Human Services  
Eastern Nebraska Veterans' Home  
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Department of Health and Human Services - Eastern Nebraska Veterans' Home (Department) for the fiscal year ended June 30, 2008. The Department'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.

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.

Our examination disclosed the accounting records for the Members' Trust Fund 68418 did not reconcile to bank records. We also noted various errors in the Members' Trust Fund accounting records. Due to inadequate recordkeeping we were unable to satisfy ourselves as to the proper presentation of the Members' Trust Fund.

In our opinion, except for the condition described in the preceding paragraph, the schedule referred to above presents, in all material respects, the revenues, expenditures, and changes in fund balances of the Nebraska Department of Health and Human Services - Eastern Nebraska Veterans' Home for the fiscal year ended June 30, 2008, based on the accounting system and procedures prescribed by the State of Nebraska Director of Administrative Services as described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2009, on our consideration of the Nebraska Department of Health and Human Services - Eastern Nebraska Veterans' Home'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 management, others within the Department, and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

Signed Original on File

March 30, 2009

Pat Reding, CPA  
Assistant Deputy Auditor

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
 EASTERN NEBRASKA VETERANS' HOME  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
 For the Fiscal Year Ended June 30, 2008

	General Fund 10000	Eastern Nebraska Veterans' Home Cash Fund 22529	Eastern Nebraska Veterans' Home Federal Fund 42543	Eastern Nebraska Veterans' Home Members' Trust Fund 68418	<b>Totals (Memorandum Only)</b>
<b>REVENUES:</b>					
Appropriations	\$ 5,845,400	\$ -	\$ -	\$ -	\$ 5,845,400
Sales & Charges	-	2,179,811	1,509,404	-	3,689,215
Miscellaneous	-	-	-	-	-
Investment Interest	-	9,221	9,308	4,692	23,221
Other Miscellaneous	-	10,154	-	2,384,030	2,394,184
<b>TOTAL REVENUES</b>	<b>5,845,400</b>	<b>2,199,186</b>	<b>1,518,712</b>	<b>2,388,722</b>	<b>11,952,020</b>
<b>EXPENDITURES:</b>					
Personal Services	3,084,631	1,817,653	748,113	-	5,650,397
Operating	2,728,995	598,906	423,397	2,444,335	6,195,633
Travel	5,688	7,522	2,367	-	15,577
Capital Outlay	26,086	-	-	-	26,086
<b>TOTAL EXPENDITURES</b>	<b>5,845,400</b>	<b>2,424,081</b>	<b>1,173,877</b>	<b>2,444,335</b>	<b>11,887,693</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(224,895)	344,835	(55,613)	64,327
<b>OTHER FINANCING SOURCES (USES):</b>					
Adjustment to Fund Balance	-	-	-	5,337	5,337
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,337</b>	<b>5,337</b>
Net Change in Fund Balances	-	(224,895)	344,835	(50,276)	69,664
FUND BALANCES, JULY 1, 2007	-	485,428	(324,677)	185,152	345,903
FUND BALANCES, JUNE 30, 2008	\$ -	\$ 260,533	\$ 20,158	\$ 134,876	\$ 415,567
<b>FUND BALANCES CONSIST OF:</b>					
General Cash	\$ -	\$ 317,352	\$ 370,158	\$ 191,689	\$ 879,199
Petty Cash	-	3,000	-	-	3,000
Due From Other Funds	-	120,000	-	-	120,000
Due to Vendors	-	(639)	-	-	(639)
Deposits	-	-	-	26,884	26,884
Due to Fund	-	(179,180)	(350,000)	(19,963)	(549,143)
<b>TOTAL FUND BALANCES</b>	<b>\$ -</b>	<b>\$ 260,533</b>	<b>\$ 20,158</b>	<b>\$ 198,610</b>	<b>\$ 479,301</b>

The accompanying notes are an integral part of the schedule.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
EASTERN NEBRASKA VETERANS' HOME

**NOTES TO THE SCHEDULE**

For the Fiscal Year Ended June 30, 2008

**1. Criteria**

The accounting policies of the Nebraska Department of Health and Human Services - Eastern Nebraska Veterans' Home (Department) are on the basis of accounting as prescribed by the State of Nebraska Department of Administrative Services (DAS).

Per Neb. Rev. Stat. § 81-1107(2) (Supp., 2006), 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."

In accordance with Neb. Rev. Stat. § 81-1111(1) (Reissue 1999), The State Accounting Administrator has prescribed the system of accounts and accounting to be maintained by the State and its departments and agencies and has developed necessary accounting policies and procedures. The prescribed accounting system currently utilizes the Nebraska Information System (NIS) to maintain the general ledger and all detail accounting records. Policies and procedures are detailed in the Nebraska State Accounting Manual published by DAS State Accounting Division (State Accounting) and are available to the public. The financial information used to prepare the schedule of revenues, expenditures, and changes in fund balances was obtained directly from the general ledger and fund balance information kept on NIS. As transactions occur, the agencies record the accounts receivables and accounts payable in the general ledger. 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 expenditures and related accounts payables recorded in the general ledger as of June 30, 2008, include only those payables posted in the general ledger before June 30, 2008, and not yet paid as of that date. The amount recorded as expenditures as of June 30, 2008, **does not** include amounts for goods and services received before June 30, 2008, which had not been posted to the general ledger as of June 30, 2008.

Other liabilities are recorded in accounts titled Deposits and Due to Fund for the Department. The assets in these funds are being held by the State as an agent and will be used to pay those liabilities to individuals, private organizations, other governments, and/or other funds. The recording of those liabilities reduces the fund balance/equity. For further information of the activity recorded to those accounts for the fiscal year ended June 30, 2008, see Note 5.

The Department records trust activity for Members' accounts in a separate authorized bank account not included on NIS. The balances and activity for these accounts are recorded on the cash receipts and cash disbursements basis of accounting. The activity and balances are included on the financial schedule.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
EASTERN NEBRASKA VETERANS' HOME

**NOTES TO THE SCHEDULE**  
(Continued)

**1. Criteria** (Continued)

The Department had accounts receivable not included in the Schedule of \$349,090 from the U.S. Department of Veterans' Affairs for daily per diems and veterans' home members for their maintenance fees. DAS did not require the Department to record their receivables on the general ledger and these amounts are not reflected in revenues or fund balances on the Schedule. Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

The fund types established by the State that are used by the Department are:

**10000 – General Fund** – accounts for activities funded by general tax dollars and related expenditures and transfers.

**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.

**40000 – Federal Funds** – accounts for the financial activities related to the receipt and disbursement of funds generated from the federal government as a result of grants and contracts. Expenditures must be made in accordance with applicable federal requirements.

**60000 – Trust Funds** – account for assets held by the State in a trustee capacity. Expenditures consist of maintenance fees paid to the Department and miscellaneous disbursements as authorized by members.

The major revenue account classifications established by State Accounting used by the Department 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.

**Sales & Charges** – Income derived from compensation for services rendered from members in the Cash Fund and daily per diems from the U.S. Department of Veterans' Affairs in the Federal Fund.

**Miscellaneous** – Revenue from sources not covered by other major categories, such as investment income and trust receipts for members from Veterans' Administration benefits, Social Security benefits, and other sources.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
EASTERN NEBRASKA VETERANS' HOME

**NOTES TO THE SCHEDULE**

(Continued)

**1. Criteria** (Concluded)

The major expenditure account classifications established by State Accounting used by the Department are:

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

**Operating** – Expenditures directly related to a program's primary service activities. Trust Fund expenditures consist of maintenance fees paid to the Department and miscellaneous disbursements as authorized by members.

**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 accounting classifications and procedures established by State Accounting and used by the Department include:

**Assets** – Resources owned or held by a government that have monetary value. Assets include cash accounts. Cash accounts are also included in fund balance and are reported as recorded in the general ledger.

**Liabilities** – Legal obligations arising out of transactions in the past that must be liquidated, renewed, or refunded at some future date. Accounts payable transactions are recorded as expenditures resulting in a decrease to fund balance. Other liabilities recorded in the general ledger for the Department's funds at June 30, 2008, included amounts recorded in Due to Fund. The activity of these accounts are not recorded through revenue and expenditure accounts on the Schedule of Revenues, Expenditures, and Changes in Fund Balances. The activity processed on the general ledger through these accounts is summarized in Note 5

**2. Reporting Entity**

The Nebraska Department of Health and Human Services - Eastern Nebraska Veterans' Home is a facility of a State agency established under and governed by the laws of the State of Nebraska. As such, the Department is exempt from State and Federal income taxes. The schedule includes all funds of the Eastern Nebraska Veterans' Home included in the general ledger.

The Nebraska Department of Health and Human Services - Eastern Nebraska Veterans' Home is part of the primary government for the State of Nebraska.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
EASTERN NEBRASKA VETERANS' HOME

**NOTES TO THE SCHEDULE**  
(Continued)

**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. General Cash**

General cash accounts are under the control of the State Treasurer or other administrative bodies as determined by law. All cash deposited with the State Treasurer is initially maintained in a pooled cash account. On a daily basis, the State Treasurer invests cash not needed for current operations with the State's Investment Council that maintains an operating investment pool for such investments. Interest earned on those investments is allocated to funds based on their percentage of the investment pool.

**5. Changes in Due to Fund**

Fund	Balance July 1, 2007	In	Out	Balance June 30, 2008
Eastern Nebraska Veterans' Home Cash Fund 22529	\$ (2,895)	\$ (176,285)	\$ -	\$ (179,180)
Eastern Nebraska Veterans' Home Federal Fund 42543	(550,000)	(100,000)	300,000	(350,000)
Eastern Nebraska Veterans' Home Members' Trust Fund 68418	(15,234)	(4,729)	-	(19,963)

Eastern Nebraska Veterans' Home Cash Fund 22529 Due to Fund balance consists of \$175,000 due to the Beatrice State Developmental Center Medicaid Fund 48122 and \$4,180 due to the Nebraska Department of Revenue for sales taxes collected. Eastern Nebraska Veterans' Home Federal Fund 42543 Due to Fund balance is due in its entirety to the Beatrice State Developmental Center Medicaid Fund 48122. Eastern Nebraska Veterans' Home Members' Trust Fund 68418 Due to Fund balance is due in its entirety to Members' as a result of gains from participating in the State Operating Investment Pool.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
EASTERN NEBRASKA VETERANS' HOME

**NOTES TO THE SCHEDULE**

(Continued)

**6. Adjustments to Fund Balance**

Adjustments to Fund Balance transactions are those recorded directly to a fund's asset account or equity account rather than through a revenue or expenditure account. The net change in fund balance for the Eastern Nebraska Veterans' Home Trust Fund 68418 from financial activity per the manual accounting records did not result in a June 30, 2008 fund balance agreeing to the Department's Advanced Institutional Management System computer records used to track individual veterans' home Members' account balance in the trust fund.

**7. Trust Fund Balance Variance**

The June 30, 2008, Trust Fund balance was \$134,876 per the Department's accounting records. This amount was \$63,734 less than the Trust Fund's balance of \$198,610 per the bank's records. The cause of the variance was unknown. We also noted the June 30, 2007, balance did not agree to bank records.

**8. Reconciliation of Bank Records to the State's General Ledger**

Through their bank reconciliation procedures, State Accounting has identified a large unknown statewide variance between the State Treasurer's bank statements and the State's balances in the general ledger. This unknown variance indicates the bank records are short as compared to the accounting records. Some adjustments to the accounting records may be needed and may affect the fund balances of the Department. At this time, it has not been determined how or when adjustments to the accounting records might be made. State Accounting is unable to determine the effect of such adjustment, if any, on the Department's balances; however, State Accounting believes it will not have a material impact on the Department's operations.





# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley  
State Auditor

Mike.Foley@nebraska.gov  
P.O. Box 98917  
State Capitol, Suite 2303  
Lincoln, Nebraska 68509  
402-471-2111, FAX 402-471-3301  
www.auditors.state.ne.us

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
EASTERN NEBRASKA VETERANS' HOME  
**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**

Nebraska Department of Health and Human Services  
Eastern Nebraska Veterans' Home  
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Department of Health and Human Services - Eastern Nebraska Veterans' Home as of and for the year ended June 30, 2008, and have issued our report thereon dated March 30, 2009. 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.

### Internal Control Over Financial Reporting

In planning and performing our examination, we considered the Nebraska Department of Health and Human Services - Eastern Nebraska Veterans' Home's internal control over financial reporting as a basis for designing our procedures for the purpose of expressing our opinion on the schedule of revenues, expenditures, and changes in fund balances, but not for the purpose of expressing an opinion on the effectiveness of the Nebraska Department of Health and Human Services - Eastern Nebraska Veterans' Home's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Nebraska Department of Health and Human Services - Eastern Nebraska Veterans' Home's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Nebraska Department of Health and Human Services - Eastern Nebraska Veterans' Home's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the accounting system and procedures prescribed by the State of Nebraska Director of Administrative Services such that there is more than a remote likelihood that a misstatement of the Nebraska Department of Health and Human Services - Eastern Nebraska Veterans' Home's financial schedule that is more than inconsequential will not be prevented or detected by the Nebraska Department of Health and Human Services - Eastern Nebraska Veterans' Home's internal control. We consider the following deficiency described in the Comments Section of the report to be a significant deficiency in internal control over financial reporting: Comment Number 1 (Members' Trust Fund).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial schedule will not be prevented or detected by the Nebraska Department of Health and Human Services - Eastern Nebraska Veterans' Home's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nebraska Department of Health and Human Services - Eastern Nebraska Veterans' Home's financial schedule 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 Department of Health and Human Services - Eastern Nebraska Veterans' Home in the Comments Section of this report as Comment Number 2 (Reasonableness of Member Maintenance Fee), Comment Number 3 (Reimbursement of Costs), Comment Number 4 (Program Expenditures (Other Than Payroll)), Comment Number 5 (Payroll Expenditures), and Comment Number 6 (Supply Inventories).

The Nebraska Department of Health and Human Services - Eastern Nebraska Veterans' Home's written response to the findings identified in our examination are described in the Comments

Section of the report. We did not examine the Nebraska Department of Health and Human Services - Eastern Nebraska Veterans' Home's response and, accordingly, we express no opinion on it. Where no response is indicated, the Department declined to respond.

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

Signed Original on File

March 30, 2009

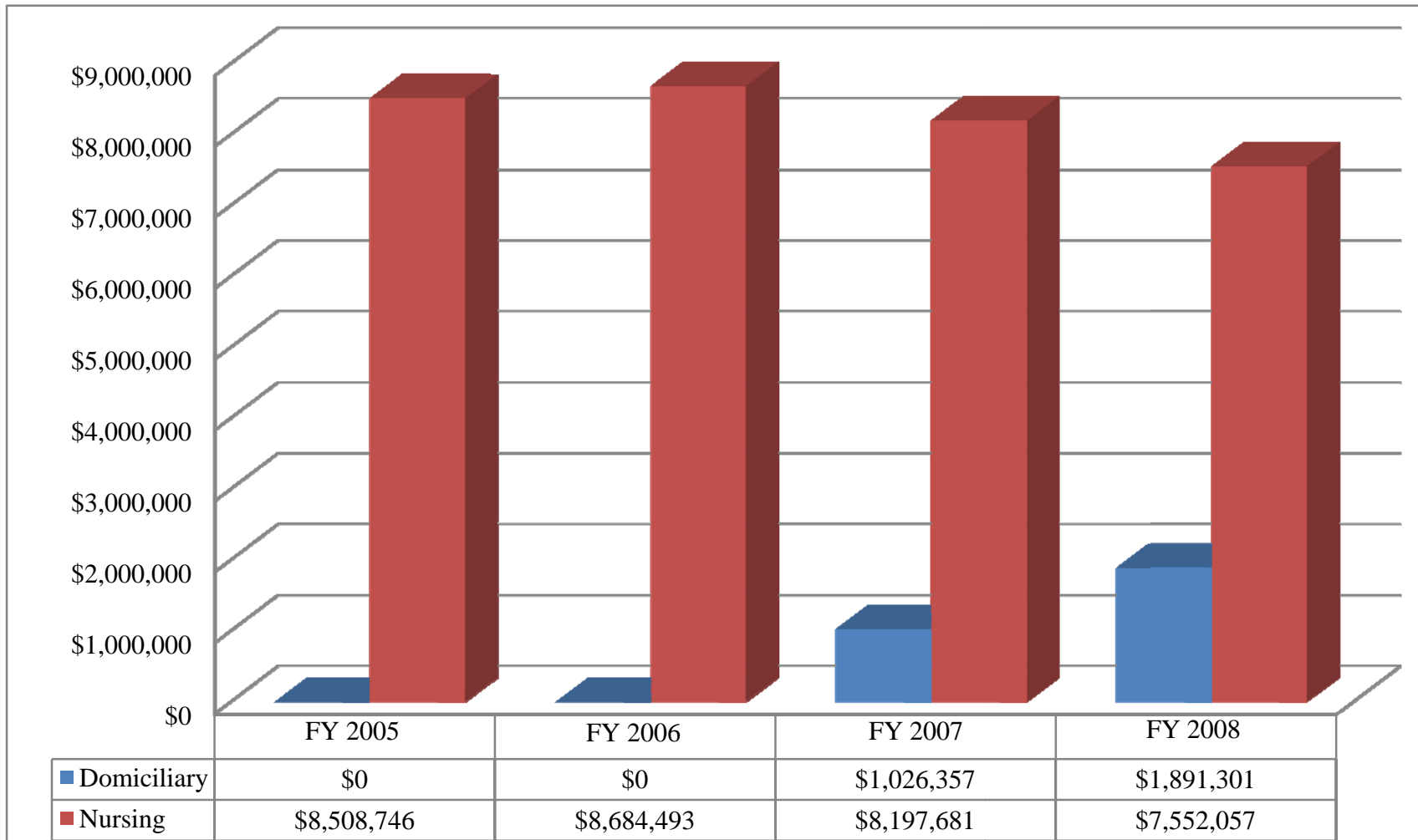
Pat Reding, CPA  
Assistant Deputy Auditor

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES  
EASTERN NEBRASKA VETERANS' HOME

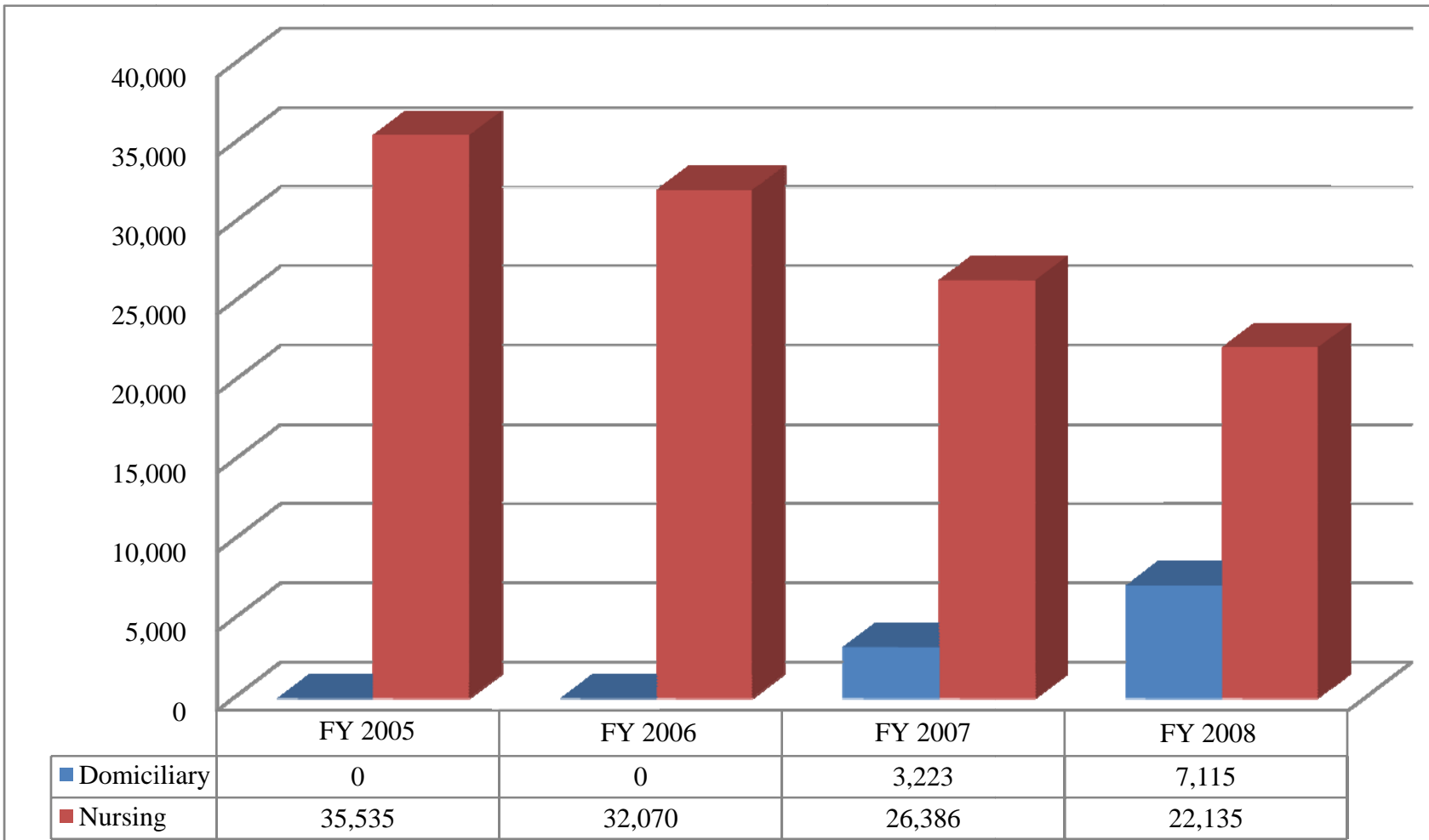
**STATISTICAL SECTION**

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.

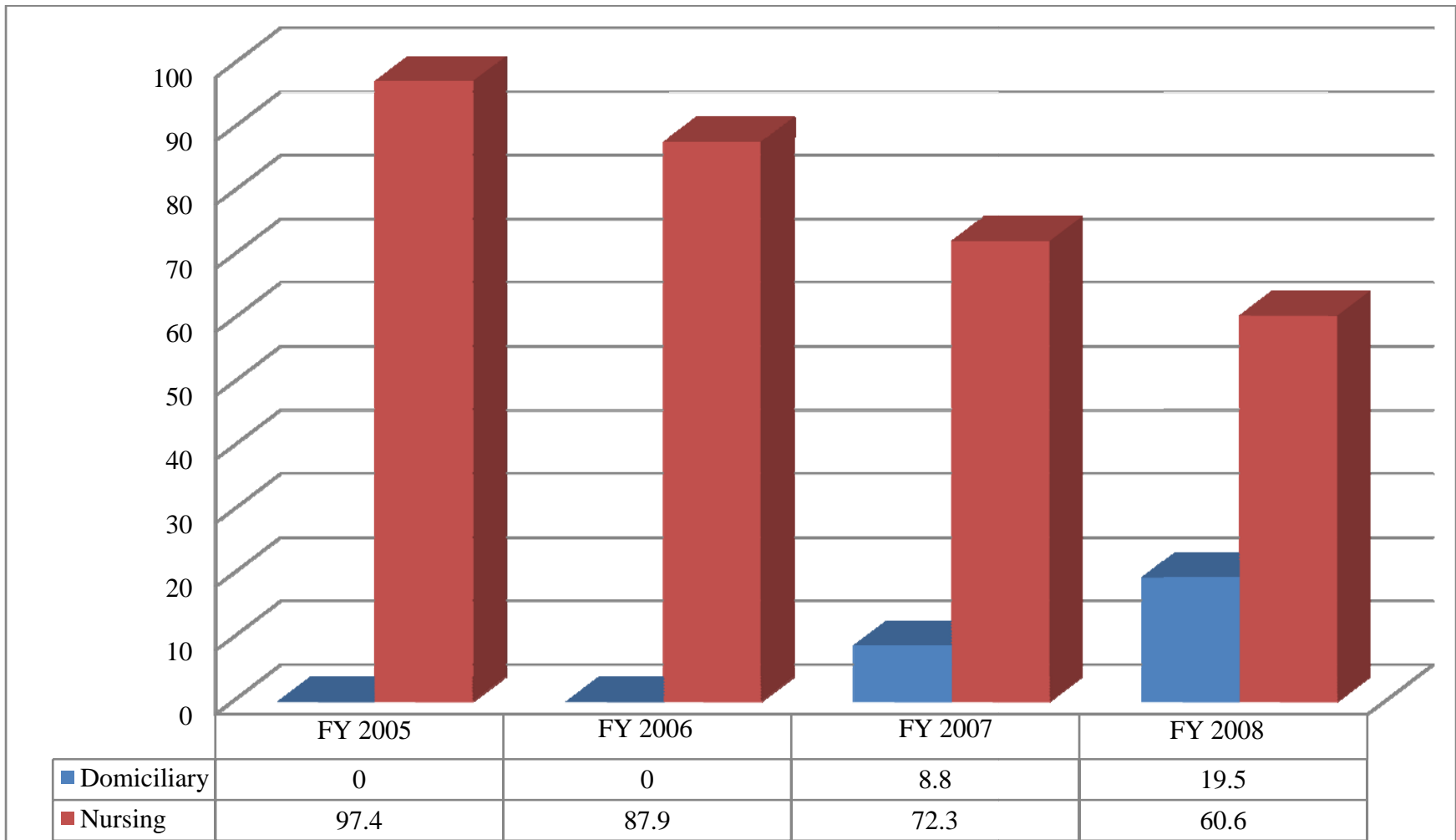
NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM  
 EASTERN NEBRASKA VETERANS' HOME  
**TOTAL OPERATING EXPENDITURES**  
 For the Fiscal Years Ended June 30, 2005, 2006, 2007, and 2008  
 UNAUDITED



NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM  
 EASTERN NEBRASKA VETERANS' HOME  
**TOTAL MEMBER DAYS OF CARE FURNISHED**  
 For the Fiscal Years Ended June 30, 2005, 2006, 2007, and 2008  
 UNAUDITED



NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM  
 EASTERN NEBRASKA VETERANS' HOME  
**MEMEBERS' AVERAGE DAILY CENSUS**  
 For the Fiscal Years Ended June 30, 2005, 2006, 2007, and 2008  
 UNAUDITED



NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM  
 EASTERN NEBRASKA VETERANS' HOME  
**AVERAGE EXPENDITURES PER MEMBER**  
 For the Fiscal Years Ended June 30, 2005, 2006, 2007, and 2008  
 UNAUDITED

