

**AUDIT REPORT
OF
NEBRASKA DEPARTMENT OF EDUCATION
NATIONAL DEAF-BLIND EQUIPMENT
DISTRIBUTION PROGRAM**

JULY 1, 2017, THROUGH JUNE 30, 2018

**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 October 19, 2018

NEBRASKA DEPARTMENT OF EDUCATION
NATIONAL DEAF-BLIND EQUIPMENT DISTRIBUTION PROGRAM

TABLE OF CONTENTS

	<u>Page</u>
Background Information Section	
Background	1
Mission Statement	1
Key Officials and Department Contact Information	2
Comments Section	
Comments and Recommendations	3
Financial Section	
Independent Auditor's Report	4 - 5
Basic Financial Statements:	
Program-Wide Financial Statements:	
Statement of Net Position – Cash Basis	6
Statement of Activities – Cash Basis	7
Notes to Financial Statements	8 - 12
Government Auditing Standards Section	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	13 - 14

NEBRASKA DEPARTMENT OF EDUCATION
NATIONAL DEAF-BLIND EQUIPMENT DISTRIBUTION PROGRAM

BACKGROUND

The Nebraska Department of Education (Department) is a constitutional agency that operates under the authority of an elected Board of Education. The Department is organized into teams that interact to operate the Department and carry out the duties assigned by State and Federal statutes and the policy directives of the State Board of Education. The teams are organized around distinct functions and responsibilities that encompass leadership and support for Nebraska's system of early childhood, primary, secondary, and postsecondary education; direct services to clients; and internal support to the Department.

The Department carries out its duties on behalf of Nebraska students in public and nonpublic school systems. The staff of the Department interacts with schools and institutions of higher education to develop, coordinate, and improve educational programs.

The Twenty-First Century Communications and Video Accessibility Act of 2010 (CVAA) was signed into law by President Obama on October 8, 2010. The CVAA requires the Federal Communications Commission (FCC) to take certain steps to ensure that individuals with disabilities have access to emerging communications technologies in the twenty-first century. The National Deaf-Blind Equipment Distribution Program (NDBEDP) was established by the FCC 11-56 report and order released April 6, 2011, as a pilot program to distribute specialized customer premises equipment used for telecommunications service, internet access service, and advanced communications, including interexchange services and advanced telecommunications and information services, to low-income individuals who are deaf-blind. The FCC 16-101 report and order released August 5, 2016, converted the NDBEDP into a permanent program.

Annual funding for the NDBEDP of \$10 million comes from the Interstate Telecommunications Relay Service Fund for the nationwide distribution of communications equipment to eligible individuals with \$250,000 set aside for national outreach efforts conducted by the Perkins School for the Blind. In addition, \$100,000 was set aside towards the development of a centralized database that certified programs will be required to use to submit information about their program related activities for reporting purposes, and for the generation of reimbursement claims. The remaining \$9.65 million in funds is allocated to certified programs for the cost of equipment and authorized related services, with a minimum base amount of \$50,000 to each jurisdiction, plus a portion of the remaining available funding in an amount proportionate to the population of that jurisdiction.

The FCC contracted with a third-party administrator, Rolka Loube, to administer the program. The primary lead entities for the NDBEDP on the national level are the FCC, Rolka Loube, the Perkins School for the Blind, and the Helen Keller National Center for Deaf-Blind Youths and Adults. The FCC selected one entity in each of the 50 states, the District of Columbia, Puerto Rico, American Samoa, Guam, Northern Mariana Islands, and the Virgin Islands for certification to participate in the NDBEDP. The Nebraska Department of Education's Nebraska Assistive Technology Partnership was selected as the State of Nebraska's certified entity and was allocated \$89,961 in NDBEDP funding for the fiscal year ended June 30, 2018.

MISSION

To lead and support the preparation of all Nebraskans for learning, earning, and living.

NEBRASKA DEPARTMENT OF EDUCATION
NATIONAL DEAF-BLIND EQUIPMENT DISTRIBUTION PROGRAM

KEY OFFICIALS AND DEPARTMENT CONTACT INFORMATION

Nebraska State Board of Education

At June 30, 2018

<u>Name</u>	<u>Term Ending</u>
John Witzel, President	January 2021
Patricia Timm, Vice President	January 2019
Patsy Koch Johns	January 2021
Lisa Fricke	January 2021
Rachel Wise	January 2021
Maureen Nickels	January 2019
Molly O'Holleran	January 2019
Patrick McPherson	January 2019

Nebraska Department of Education Management

Matthew L. Blomstedt, Commissioner of Education
Tobias Orr, Assistive Technology Partnership Director

Nebraska Department of Education
301 Centennial Mall South
P.O. Box 94987
Lincoln, NE 68509-4987
www.education.ne.gov

NEBRASKA DEPARTMENT OF EDUCATION
NATIONAL DEAF-BLIND EQUIPMENT DISTRIBUTION PROGRAM

COMMENTS AND RECOMMENDATIONS

During our audit of the Nebraska Department of Education National Deaf-Blind Equipment Distribution Program (Program), we noted certain matters involving the internal control over financial reporting and other operational matters that are presented here.

1. Lack of Controls Over Reimbursements and Reports

The Program is reimbursed from the Federal Communications Commission (FCC) for disbursements of the Program on a quarterly basis from reimbursement requests. The APA tested two quarterly reimbursements and one six-month report and noted that one individual prepared and submitted the reimbursement requests and the six-month report without a secondary review. The Program Coordinator prepared the reimbursement requests and report and then submitted them without a documented review by another individual.

A good internal control plan requires procedures to ensure an adequate review of reimbursements and reports by an individual separate from the preparer is completed. Without these procedures, there is an increased risk of loss or misuse of Federal funds.

We recommend the Program implement procedures to ensure reimbursement requests and reports are reviewed and approved by another individual with knowledge of the Program before they are submitted.

Program Response: We are currently putting together policies that will ensure that all reimbursements and 6 month reports are reviewed by the director before submission. The approval will be done via email and a record of the emails will be kept on file.

2. No Required Audit

The Nebraska Department of Education (Department) was not in compliance with the National Deaf-Blind Equipment Distribution Program's (Program) Federal regulation requiring an annual audit. The Department became the certified entity to administer the Program on July 1, 2014, and, therefore, should have had an annual audit performed for the fiscal years ending June 30, 2015, June 30, 2016, and June 30, 2017, but did not.

Per 47 CFR § 64.610(e)(vii) the Program must "Engage an independent auditor to perform annual audits designed to detect and prevent fraud, waste, and abuse . . . [.]". Without this audit, the Program was not in compliance with Federal regulations.

We recommend the Program implement procedures to ensure the required annual audits are completed.

Program Response: From this point forward an audit will be performed on the program yearly by an independent auditor.

It should be noted this report is critical in nature, containing only our comments and recommendations on the areas noted for improvement.

Draft copies of this report were furnished to the Nebraska Department of Education to provide its management with an opportunity to review and to respond to the comments and recommendations contained herein. All formal responses received have been incorporated into this report. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next audit.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

Charlie.Janssen@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.nebraska.gov

NEBRASKA DEPARTMENT OF EDUCATION NATIONAL DEAF-BLIND EQUIPMENT DISTRIBUTION PROGRAM

INDEPENDENT AUDITOR'S REPORT

Nebraska State Board of Education
Nebraska Department of Education
Lincoln, Nebraska

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities of the Nebraska Department of Education National Deaf-Blind Equipment Distribution Program (Program), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Program's preparation and fair presentation of the financial statements in order to design audit procedures that are

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities of the Program as of June 30, 2018, and the respective changes in cash-basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Program are intended to present the financial position and the changes in financial position of only that portion of the governmental activities of the State that is attributable to the transactions of the Program. They do not purport to, and do not, present fairly the financial position of the State of Nebraska as of June 30, 2018, and the changes in its financial position for the year then ended in conformity with accounting principles accepted in the United States of America. Our opinion is not modified with respect to this matter.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2018, on our consideration of the Program's internal control over financial reporting and on 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 audit performed in accordance with *Government Auditing Standards* in considering the Program's internal control over financial reporting and compliance.



Kris Kucera, CPA, CFE
Audit Manager
Lincoln, Nebraska

October 2, 2018

NEBRASKA DEPARTMENT OF EDUCATION
 NATIONAL DEAF-BLIND EQUIPMENT DISTRIBUTION PROGRAM
STATEMENT OF NET POSITION - CASH BASIS
 June 30, 2018

	Governmental Activities TOTAL
Assets	
Cash and Cash Equivalents	\$ 11,662
Total Assets	\$ 11,662
Net Position	
Unrestricted	\$ 11,662
Total Net Position	\$ 11,662

The accompanying notes are an integral part of the financial statements.

NEBRASKA DEPARTMENT OF EDUCATION
 NATIONAL DEAF-BLIND EQUIPMENT DISTRIBUTION PROGRAM
STATEMENT OF ACTIVITIES - CASH BASIS
 For the Fiscal Year Ended June 30, 2018

		Governmental Activities TOTAL
Program Disbursements:		
Payroll	\$	14,813
Operating		3,512
Travel		626
Government Aid		19,920
Total Program Disbursements		38,871
 Program Receipts:		
Federal Reimbursements		47,511
Total Program Receipts		47,511
Change in Net Position		8,640
 Net Position July 1, 2017		3,022
 Net Position June 30, 2018	\$	11,662

The accompanying notes are an integral part of the financial statements.

NEBRASKA DEPARTMENT OF EDUCATION
NATIONAL DEAF-BLIND EQUIPMENT DISTRIBUTION PROGRAM

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying basic financial statements of the Nebraska Department of Education National Deaf-Blind Equipment Distribution Program (Program) have been prepared in conformity with the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

The basic financial statements have been prepared primarily from the accounts maintained by the State Accounting Administrator of the Department of Administrative Services.

B. Reporting Entity

The Nebraska Department of Education (Department) is 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 financial statements include all funds of the Department disbursed for the Program and those funds that were reimbursed by the Program. The Department has also considered all potential component units for which it is financially accountable, as well as other organizations that are either fiscally dependent on the Department or maintain a significant relationship with the Department such that exclusion would be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Department to impose its will on that organization, or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Department. The Department is also considered financially accountable if an organization is fiscally dependent on and there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Department regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

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

C. Program-Wide Financial Statements.

The Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis display information about the activities of the Program and are in the format of government-wide statements, as required by GASB Statement Number 34. These statements include all the financial activities of the Program. The Program reports governmental activities only.

The Statement of Net Position – Cash Basis presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported as unrestricted net position. Unrestricted net position often has constraints on resources that are imposed by management, but those constraints can be removed or modified.

NEBRASKA DEPARTMENT OF EDUCATION
NATIONAL DEAF-BLIND EQUIPMENT DISTRIBUTION PROGRAM

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Concluded)

The Statement of Activities – Cash Basis demonstrates the degree to which the direct disbursement of a given function or segment is offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts are requested on a reimbursement basis. Reimbursements are requested for allowable Program costs.

D. Measurement Focus, Basis of Accounting

The accounting and financial reporting treatment applied to a program is determined by its measurement focus and basis of accounting. The Program-Wide financial statements were reported using the current financial resources measurement focus and the cash basis of accounting. As such, the measurement focus includes only those assets and program balances arising from cash transactions on the Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis. Receipts are recognized when received, and disbursements are recognized when paid by the Program. This differs from governmental GAAP, which requires the Program-wide financial statements to be reported using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus and basis of accounting, receipts are recorded when earned, and disbursements are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

E. Account Classifications

Cash and Cash Equivalents. The Program's cash and cash equivalents are considered to be cash on hand and demand deposits.

Government Aid. Government Aid includes assets purchased on behalf of clients. The Department operates the Program as an ownership program. As such, the Program does not retain ownership rights for Program assets purchased on behalf of clients. Ownership transfers to the client.

2. State Employees Retirement Plan (Plan)

The single-employer Plan became effective by statute on January 1, 1964. The Plan consists of a defined contribution option and a cash balance benefit. The cash balance benefit is a type of defined benefit plan. Each member employed and participating in the retirement system prior to January 1, 2003, elected either to continue participation in the defined contribution option or to begin participation in the cash balance benefit. The defined contribution option is closed to new entrants. All new members of the Plan on and after January 1, 2003, become members of the cash balance benefit. The benefits and funding policy of the Plan is established and can only be amended by the Nebraska Legislature.

NEBRASKA DEPARTMENT OF EDUCATION
NATIONAL DEAF-BLIND EQUIPMENT DISTRIBUTION PROGRAM

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. State Employees Retirement Plan (Plan) (Concluded)

All permanent full-time employees are required to begin participation in the retirement system upon employment. All permanent part-time employees, who have attained the age of eighteen years, may exercise the option to begin participation in the retirement system.

Contribution. Per statute, each member contributes 4.8% of his or her monthly compensation. The Program matches the member's contribution at a rate of 156%. The employee's and employer's contributions are kept in separate accounts.

The employee's account is fully vested. The employer's account is fully vested after a total of three years of participation in the system, including credit for participation in another Nebraska governmental plan prior to actual contribution to the Plan.

Defined Contribution Option. Upon attainment of age 55, regardless of service, the retirement allowance shall be equal to the sum of the employee and employer account. Members have several forms of payment available, including withdrawals, deferrals, annuities, or a combination of these.

Cash Balance Benefit. Upon attainment of age 55, regardless of service, the retirement allowance shall be equal to the accumulated employee and employer cash balance accounts, including interest credits, annuitized for payment in the normal form. The normal form of payment is a single life annuity with five-year certain, payable monthly. Members will have the option to convert their member cash balance account to a monthly annuity with built in cost-of-living adjustments of 2.5% annually. Also available are additional forms of payment allowed under the Plan that are actuarially equivalent to the normal form, including the option of lump-sum or partial lump-sum.

For the fiscal year ending June 30, 2018, employees contributed \$574, and the Program contributed \$895. A separate plan report is issued by, and can be obtained from, the Nebraska Public Employees Retirement System. This report contains full pension-related disclosures.

The State of Nebraska Comprehensive Annual Financial Report (CAFR) also includes pension-related disclosures. The CAFR report is available from the Nebraska Department of Administrative Services – Accounting Division, or on the Nebraska Auditor of Public Accounts' website at www.auditors.nebraska.gov.

3. Contingencies and Commitments

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

NEBRASKA DEPARTMENT OF EDUCATION
NATIONAL DEAF-BLIND EQUIPMENT DISTRIBUTION PROGRAM

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. Contingencies and Commitments (Concluded)

- A. Motor vehicle liability with vehicular pursuit, which is insured for the first \$1 million of exposure per accident with a self-insured retention of \$300,000 and \$300,000 corridor retention. Motor vehicle liability has excess coverage of \$4 million. Insurance is also purchased, with various limits and deductibles, for physical damage and uninsured and underinsured motorists. State agencies have the option to purchase coverage for physical damage to vehicles. There is a \$500 deductible for this coverage.
- B. Life insurance for eligible employees.
- C. Crime coverage, with a limit of \$31 million for each loss and a \$25,000 self-insured retention per incident subject to specific conditions, limits, and exclusions.
- D. Real and personal property on a blanket basis for losses up to \$401 million, with a self-insured retention of \$200,000 per loss occurrence. Newly acquired properties are covered up to \$10 million for 90 days and after 90 days, if the property has not been reported, the limit decreases to \$5 million. The perils of flood, earthquake, and acts of terrorism have various coverage, sub-limits, and self-insurance. State agencies have the option to purchase building contents and inland marine coverage.

Details of the various insurance coverages are available from the DAS – Risk Management Division.

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

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

4. Beginning Fund Balance

The Department of Education did not record the activity of the Program in a separate fund; therefore, the beginning fund balance was determined by examining the activity of the Program in the State's accounting system, beginning July 1, 2014, when the Department began to administer it.

NEBRASKA DEPARTMENT OF EDUCATION
NATIONAL DEAF-BLIND EQUIPMENT DISTRIBUTION PROGRAM

NOTES TO FINANCIAL STATEMENTS
(Concluded)

4. Beginning Fund Balance (Concluded)

Beginning Fund Balance as of July 1, 2014	\$ -
Program Receipts for Fiscal Year 2015	\$ 32,027
Program Receipts for Fiscal Year 2016	\$ 30,594
Program Receipts for Fiscal Year 2017	\$ 58,234
Program Transfers In for Fiscal Year 2015	\$ -
Program Transfers In for Fiscal Year 2016	\$ 13,371
Program Transfers In for Fiscal Year 2017	\$ 6,689
Program Disbursements for Fiscal Year 2015	\$ (57,850)
Program Disbursements for Fiscal Year 2016	\$ (20,803)
Program Disbursements for Fiscal Year 2017	\$ (59,240)
Ending Fund Balance for Fiscal Year 2017	\$ 3,022



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

Charlie.Janssen@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.nebraska.gov

NEBRASKA DEPARTMENT OF EDUCATION
NATIONAL DEAF-BLIND EQUIPMENT DISTRIBUTION PROGRAM
**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Nebraska State Board of Education
Nebraska Department of Education
Lincoln, Nebraska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of the Nebraska Department of Education National Deaf-Blind Equipment Distribution Program (Program), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements, and have issued our report thereon dated October 2, 2018. The report was modified to emphasize that the financial statements present only the funds of the Program. The report notes the financial statements were prepared on the basis of cash receipts and disbursements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Program's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Program's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the Comments and Recommendations Section, Comment #1, “Lack of Controls Over Reimbursements and Reports,” that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program’s financial statements are 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Additional Items

We noted a certain additional item that we reported to the Program in the Comments and Recommendations Section of this report as Comment #2, “No Prior Audit.”

Program’s Response to Findings

The Program’s response to the findings identified in our audit is described in the Comments Section of the report. The Program’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Program’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Program’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kris Kucera, CPA, CFE
Audit Manager
Lincoln, Nebraska

October 2, 2018