

**ATTESTATION REPORT
OF THE
NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS
PROGRAM 36 – DEPARTMENTAL ADMINISTRATION**

JULY 1, 2018, THROUGH JUNE 30, 2019

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Issued on August 29, 2019

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Audit Staff Working On This Examination

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NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS
PROGRAM 36 – DEPARTMENTAL ADMINISTRATION

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**NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS
PROGRAM 36 – DEPARTMENTAL ADMINISTRATION**

BACKGROUND

The Nebraska Department of Veterans' Affairs (Department), created in 1947, is headed by a Director who is appointed by the Governor subject to the approval of the Legislature. The Department is the central administration for all divisions, including the Nebraska Veterans' Service Office, the Nebraska Veterans Cemetery System, and the Nebraska Veterans' Homes beginning in July 2017. The administration of the Veterans' Homes was transferred to the Department from the Nebraska Department of Health and Human Services. The four veterans' homes are located in Scottsbluff, Kearney (since 2019), Norfolk, and Bellevue.

The Department's Program 36 – Departmental Administration (Program 36) is responsible for aiding and assisting veterans and their eligible dependents in applying for and receiving State and Federal veterans' benefits and providing complete administrative support to all Divisions of the Department. Program 36 includes accounting, human resources/payroll, budget, procurement, and fixed assets and also provides administrative support for the Commission on Military and Veteran Affairs, the Veterans' Advisory Commission, and the Veterans' Home Board.

The Department is located in Lincoln, Nebraska, but cooperates with veterans' organizations and county service officers throughout the State in making referrals and recommendations, and providing information to veterans.

The Director of the Department hires State service officers who assist and represent veterans from Nebraska in applying for Federal benefits. These service officers are then approved by the Veterans' Advisory Commission. The Director administers the Nebraska Veterans' Aid Income Fund by determining the eligibility of applicants and the amount to be distributed to each from the interest earned on the fund for food, shelter, fuel, wearing apparel, medical or surgical aid, and funeral expenses.

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KEY OFFICIALS AND DEPARTMENT CONTACT INFORMATION

Veterans' Advisory Commission

Name	Title	Term Ending
Billy C. Smith	Chairman	2021
John L. Iossi		2023
John Liebsack		2024
Jim Cada		2020
Ron Winchell		2022

Commission on Military and Veteran Affairs

Name	Title	Term Ending
John Hilgert	Chair	
Dave Bloomfield	Vice-Chair	October 1, 2020
Tami Thompson	Secretary	October 1, 2022
Dave Rippe		
Major General Daryl Bohac		
Bill Williams		October 1, 2019
Mike Navrkal		
Colonel J. David Norton		
Major General Rick Evans		
Colonel Brian D. Pukall		
Phillip L. O'Donnell	Military Affairs Liaison	

Nebraska Department of Veterans' Affairs Executive Management

Name	Title
John Hilgert	Director
John McNally	Deputy Director
Josh Stafursky	Operations Director
Rea Easton	Finance Director

Nebraska Department of Veterans' Affairs
301 Centennial Mall South, 4th Floor
P.O. Box 95083
Lincoln, NE 68509-5083
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**NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS
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COMMENT AND RECOMMENDATION

During our examination of the Nebraska Department of Veterans' Affairs (Department) Program 36 – Departmental Administration (Program 36), we noted a certain deficiency and other operational matters that are presented here. The following comment is required to be reported in accordance with *Government Auditing Standards* and is considered to be a material weakness.

This comment and recommendation is intended to improve the internal control over financial reporting or result in operational efficiencies in the following area:

Veterans' Aid

The Department administers the Nebraska Veterans' Aid Income Fund, which was created under Neb. Rev. Stat. § 80-401(3) (Reissue 2014). Per that same subsection of statute, the fund is, when appropriated by the Legislature, “available to the Director of Veterans’ Affairs for aid to needy veterans as authorized by law.” The fund should be disbursed for food, shelter, fuel, transportation, wearing apparel, medical or surgical aid, and assisting with funeral expenses, as specified in Neb. Rev. Stat. § 80-403(1) (Cum. Supp. 2018).

Applications for aid are made through a local post or county veterans’ service office in the community nearest to the applicant’s place of residence. The applications are then filed in the office of the Director of Veterans’ Affairs by the local post or county veterans’ service officer. The applicant is to provide all required documentation and information to the local office, including documentation to support his or her reported income and resources. The documentation is then either maintained at the local office or returned to the applicant but could not be provided to the Auditor of Public Accounts (APA) as it was not available.

The APA reviewed 30 aid payments totaling \$102,949 of the \$1,974,161 paid for aid during the fiscal year ended June 30, 2019.

Adequate Support

We noted that documentation supporting the veterans’ income and resources reported on the application was not on file at the county veterans’ service office or the Department’s central office for any of the 30 veterans’ aid payments tested, to support that an emergency existed to warrant the assistance received. Such documentation would have included support for the applicant’s income, expenses, and resources, including bank accounts, insurance, or other assets.

Title 443 Nebraska Administrative Code (NAC) 1-001 provides the following:

The Nebraska Veterans' Aid Fund is intended as a temporary emergency fund to assist eligible veterans and their dependents in time of need when an unforeseen emergency occurs disrupting their orderly method of living and funds available from constituted sources such as private resources (income, savings, loans, etc.), regular relief funds or agencies, pension, compensation, insurance, unemployment compensation and sick benefits, etc., are not sufficient for their immediate needs. The emergency deemed to exist as a condition to payment of aid from the Fund shall mean a condition including the following factors:

001.01 Circumstances exist requiring immediate expenditure of funds for food, shelter, fuel, wearing apparel, medical or surgical aid, care or relief or funeral expenses which are not available through constituted sources.

001.02 Applicant's resources are insufficient to meet the need without jeopardizing his future security.

(Emphasis added.) When documentation is not maintained to support an applicant’s resources, an emergency as defined per Title 443 NAC 1-001 cannot be verified.

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COMMENT AND RECOMMENDATION
(Continued)

Additionally, five of these payments, totaling \$18,600, were based upon only an estimate and lacked support for the actual cost of the item purchased. The table below shows those expenditures for which a detailed receipt was not provided:

Applicant #	Item Purchased	Date	Amount
5	Furnace	4/22/2019	\$ 5,000
11	Washer & Dryer	5/28/2019	\$ 2,000
11	Refrigerator	5/28/2019	\$ 2,000
14	Electrical Work	5/10/2019	\$ 4,100
16	Water Heater	4/29/2019	\$ 1,040
16	Furnace	4/29/2019	\$ 3,960
22	Washer & Dryer	5/14/2019	\$ 500
		Total	\$ 18,600

One of these aid payments, \$1,722 for an applicant's mortgage expenses, food, and utilities, was made because his unemployment benefits had ceased; this does not appear to have been an "unforeseen" emergency. Additionally, \$53 of this amount was for past due balances, which is not allowed per the Department's informal guidelines, which state, "Bills requested for payment that are not 'current' with the application or in collections will not be considered for payment"

The Department also paid \$2,750 in aid for clothing for four applicants. The first applicant received \$400, the second received \$600, the third received \$250, and the fourth received \$1,500. However, the Department had no documentation to support how the amount provided for clothing for each applicant was determined. The Department neither requires an itemized bill for clothing nor has established a maximum amount that can be provided.

Good internal control requires procedures to ensure that adequate supporting documentation is maintained to support both the expenditure made and the underlying need for the aid.

Without such procedures, there is an increased risk that funds could be paid to applicants who are not eligible for aid or for ineligible expenses.

Expenditure Compliance

We noted also that 17 aid payments to 10 applicants did not appear to be reasonable under the Department's regulations.

- Ten payments were for items that were not allowed per State statute, administrative rules and regulations, or the Department's informal guidelines.

Neb. Rev. Stat. § 80-403(1) (2018 Cum. Supp.) states the following:

All money disbursed through the Director of Veterans' Affairs shall be expended by him or her in furnishing food, shelter, fuel, transportation, wearing apparel, or medical or surgical aid or in assisting with the funeral expenses of discharged veterans

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COMMENT AND RECOMMENDATION
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The Department's informal guidelines state that shelter is rent or mortgage, and fuel is electric, gas, water, garbage, and phone bills. The informal guidelines also state that transportation is mileage and privately owned vehicle repairs.

Therefore, the items purchased below do not appear allowable under State statute or the Department's informal guidelines:

Applicant #	Description	Date	Amount
2	Lawn Mower	5/14/2019	\$ 290
2	Vacuum	5/14/2019	\$ 160
2	Bed Set	5/14/2019	\$ 1,560
5	Furnace	4/22/2019	\$ 5,000
6	Window Repairs	5/29/2019	\$ 3,233
11	Washer & Dryer	5/28/2019	\$ 2,000
11	Refrigerator	5/28/2019	\$ 2,000
14	Electrical Work	5/10/2019	\$ 4,100
16	Water Heater	4/29/2019	\$ 1,040
16	Furnace	4/29/2019	\$ 3,548
16	A/C Unit	4/29/2019	\$ 412
21	Mortgage Expense*	11/28/2018	\$ 818
22	Washer & Dryer	5/14/2019	\$ 500
26	Vehicle Modifications for Handicap Child	9/17/2018	\$ 7,159
30	Vehicle Purchase	4/01/2019	\$ 2,500
Total			\$ 34,320

*The amount paid included mortgage costs for two different properties owned by the applicant.

Additionally, the Department's informal guidelines state, "Aid may not be granted directly or indirectly for items not allowable by state law such as furnaces, home repairs, or to subsidize a private business." Therefore, the payments totaling \$8,548 for furnaces, \$4,100 for electrical work, and \$3,233 in window repairs violate the Department's informal guidelines.

Furthermore, Applicant #11 requested aid for a vehicle and clothing. However, the \$4,000 payment was noted as being for a washer/dryer and refrigerator. No documentation was on file to support that a washer, dryer, or refrigerator was purchased. Furthermore, when the payment was discussed with Department staff, they stated that aid for a vehicle would require preauthorization, so the Department made the decision "to change the focus to better, more quickly assist."

- Four payments, totaling \$18,328, were for dental expenses, dentures, or glasses; however, the Department did not obtain a doctor's statement saying that any of the services were necessary to maintain the normal health of the person, as required by Title 443 NAC 1-009. That regulation states:

The Fund is available to assist in paying for dental care and such items as dentures and glasses, but before payment for this type of claim can be made, it is necessary that the applicant secure a statement from his doctor indicating that the service is necessary to maintain the normal health of the person

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COMMENT AND RECOMMENDATION
(Continued)

- Two payments for private facility care, including one for \$7,500 in nursing home rehabilitation services and one for \$3,254 for hip surgery, did not have documentation to support treatment in a private facility. Title 443 NAC 1-006, states that veterans and their dependents should seek care in other medical and hospital facilities offered by city, county, State, and Federal governments if unable to pay for private care. It also states that, in order to receive aid for care in a private facility, the applicant's physical condition was such that it would have endangered his or her life to be moved to a Veterans Hospital or other facility. No documentation was on file to support these requirements. Additionally, the payment for the nursing home rehabilitation services did not have a physician's statement of physical condition and treatment, as also required by Title 443 NAC 1-006.

Title 443 NAC 1-006 provides the following:

Veterans should make use of free or low-cost services available in the nearest Veterans Administration Hospital or for themselves and dependents in other medical and hospital facilities offered by city, county, state and federal governments if they are financially unable to pay for such care in a private facility. Aid from the Fund is available on such medical and hospital expenses in a private facility if applicant is unable to pay, and his physical condition was such that it would have endangered his life to move him to a Veterans Hospital or other facility. When applying for such aid, the applicant must present fully itemized bills and physician's statement of physical condition and treatment.

- One \$1,961 aid payment was for an applicant's monthly bills because of a loss of income. The loss of income was from being overcompensated by the United States Department of Veterans' Affairs, causing that agency to collect the overstatement. However, per the Department's informal guidelines, aid "is not available to replace VA compensation, pension, social security, or VA overpayments . . ."

Good internal control requires procedures to ensure that veterans' aid payments are made only for allowable expenses, and such payments comply with all applicable statutory and administrative requirements.

Without such procedures, there is an increased risk for not only the loss or misuse of funds but also noncompliance with State statute or administrative rules and regulations.

Maximum Amounts

The Department provided aid for food; however, for three applicants tested, the total amount paid exceeded by \$1,035 the maximum allowed based on reported household sizes and requirements of the Department's informal guidelines, as noted below.

Applicant #	Date	Amount Paid	Household Size	Maximum Allowance	Variance
8	4/08/2019	\$ 600	2	\$ 370	\$ 230
12	4/22/2019	\$ 600	1	\$ 200	\$ 400
22	5/14/2019	\$ 1,200	5	\$ 795	\$ 405
Total		\$ 2,400		\$ 1,365	\$ 1,035

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COMMENT AND RECOMMENDATION
(Continued)

The Department's informal guidelines contain the following:

1. Food: (as of May 1st, 2010).

Household Size	Allowable Amount	Household Size	Allowable Amount
1	\$200	5	\$795
2	\$370	6	\$995
3	\$530	7	\$1,055
4	\$670	8	\$1,205
		Each Additional	+\$130

Good internal control requires procedures to ensure that applications for veterans' aid payments are made only for allowable expenses, and such payments comply with all applicable statutory and administrative requirements.

Without such procedures, there is an increased risk for not only the loss or misuse of funds but also noncompliance with State statute or administrative rules and regulations.

Applications

Per discussion with the Department, applications are reviewed and discussed by the Deputy Director and Program 36 Administrator. However, for all 30 aid payments tested the documentation was only approved or rejected by the Program 36 Administrator. Additionally, there is no documentation to support that the Program 36 Administrator had been designated to approve or disapprove applications and payments for aid, as required by Neb. Rev. Stat. § 80-401.03(2) (Reissue 2014).

Additionally, three of the applications for aid were initially disapproved by the Program 36 Administrator but subsequently approved by the Deputy Director; however, there is no documentation to support that reversal.

Neb Rev. Stat. § 80-401.03(2) states, in relevant part, the following:

The director, the deputy director, or a designee of the director shall receive and approve for payment or disapprove applications for aid

Finally, one application was not signed by the applicant, as required by Title 443 NAC 1-011, which provides the following:

The applicant shall answer all questions and furnish the information requested and sign the application form in the proper place before a notary public, officer of the post or other competent authority.

Good internal control requires procedures to ensure that applications for veterans' aid payments are approved or rejected by the properly designated individual as well as reviewed by a second individual, and are signed by the applicant. Furthermore, those same procedures should ensure also that documentation exists to support both the formal designation of the individual chosen to review applications for aid and the reason for any reversal of decisions made regarding the approval of such applications.

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COMMENT AND RECOMMENDATION
(Continued)

Without such procedures, there is an increased risk for not only the loss or misuse of funds but also noncompliance with State statute or administrative rules and regulations.

Regulations

The Department has several informal guidelines for administering veterans' aid payments that have not been properly adopted and promulgated pursuant to the Administrative Procedures Act (Act), as set out at Neb. Rev. Stat. §§ 84-901 to 84-920 (Reissue 2014, Cum. Supp. 2018, Supp. 2019).

As the Nebraska Supreme Court has pointed out, “The Legislature can delegate to an administrative agency the power to make rules and regulations to implement the policy of a statute.” Cty. of Dodge ex rel Mem'l Hosp. v. Dep't of Health, 218 Neb. 346, 354, 355 N.W.2d 775, 780 (1984). “Agency regulations, properly adopted and filed with the Secretary of State of Nebraska, have the effect of statutory law,” the Court has also noted. Lackawanna Leather Co. v. Neb. Dep't of Revenue, 259 Neb. 100, 106, 608 N.W.2d 177, 183 (2000).

Neb. Rev. Stat. § 81-112 (Reissue 2014) provides the following:

The head of each department is empowered to prescribe regulations, not inconsistent with law, for the government of his department, the conduct of its employees and clerks, the distribution and performance of its business, and the custody, use and preservation of the records, papers, books, documents and property pertaining thereto.

More specifically, Neb. Rev. Stat. § 80-401.10 (Reissue 2014) states, in relevant part, the following:

The director shall, within thirty days after the creation of the Department of Veterans' Affairs, adopt a seal and make such rules and regulations for its administration, not inconsistent herewith, as he or she may deem expedient. He or she may, from time to time, amend such rules and regulations.

Neb. Rev. Stat. § 84-907 (Cum. Supp. 2018) requires that proposed administrative rules and regulations, or amendments thereto, undergo a public hearing before their adoption. Additionally, Neb. Rev. Stat. § 84-905.01 (Reissue 2014) mandates that all such rules and regulations undergo a legal review, as follows:

A copy of each amendment or rule or regulation to be adopted under the Administrative Procedure Act, prior to the date of filing with the Secretary of State, shall be submitted to the Attorney General for his or her consideration as to the statutory authority and constitutionality of such amendment or rule or regulation and his or her approval or disapproval thereof, including a determination as to whether or not the rule or regulation submitted is substantially different from the published proposed rule or regulation. If the amendment or rule or regulation to be filed is approved as to legality by the Attorney General, he or she shall so indicate with his or her stamp of approval which shall be dated and signed.

Per both § 81-112 and § 80-401.10, the Department has enacted administrative rules and regulations. Due to the failure to include the important provisions contained in the informal regulations, however, those formally adopted administrative rules and regulations are incomplete.

Sound business practice requires procedures to ensure that the Department's administrative rules and regulations are complete, containing those provisions – such as the protocols set out in the informal regulations – essential to the proper performance of its statutory functions.

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COMMENT AND RECOMMENDATION
(Continued)

Without such procedures, there is an increased risk of the Department's methods for administering veterans' aid payments lacking the formality, including the public notice and legal review, of their properly adopted and promulgated counterparts.

We recommend the Department implement procedures to ensure the following:

- Adequate documentation, including verification of the applicant's income, expenses, and resources, such as bank accounts, insurance, or other assets, is maintained to support the existence of an emergency warranting the veterans' aid received. This can include obtaining the documentation in the Department's office or monitoring the County Service Offices' documentation.
- Aid payments to veterans are for allowable expenses and adhere to all established guidelines.
- More than one person is involved in the aid process to ensure appropriate oversight.
- Applications for veterans' aid are reviewed by the properly designated individual, as appropriately documented, and the reason for reversing the previous rejection of any such application is supported by sufficient documentation.
- The Department's administrative rules and regulations are updated to include the provisions of its informal guidelines, which are essential to the proper administration of the veterans' aid program.

Department Response:

Adequate Support

NDVA has an established application process and procedures for the NVA fund. There are also controls built-in to the application process:

1. *All NVA funds provided to a veteran (or eligible dependent) in need are preceded by the submission, review and approval of a detailed application consisting of the applicant's financial statement and an explanation of the unforeseen emergency prompting the request.*
2. *The financial statement portion of the application requires the applicant to (1) identify and list the value of all income, compensation, and assets for both the applicant and his/her dependents, (2) provide employment information for the applicant and his/her dependents, and (3) identify all liabilities and expenses. The portion of the application dedicated to the unforeseen emergency requires the applicant to provide a description of the emergency, the date(s) when the unforeseen emergency began and a listing of the item(s) needed along with the dollar value of each item for which aid is requested.*

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COMMENT AND RECOMMENDATION
(Continued)

3. *The application for aid is signed by the veteran (or eligible dependent) and includes a declaration that the applicant is an eligible veteran or dependent, and provides the following acknowledgment / certification, “Realizing the maximum penalty for fraudulent misrepresentation to obtain or attempt to obtain aid from this fund to be a Class II misdemeanor, I hereby certify that I have read or had read to me all the foregoing questions and answers in this application, that they are true and complete to the best of my knowledge.”*
4. *All NVA applications must be reviewed by and submitted through a third party Service Officer (generally a CVSO). The CVSO is responsible for assuring that the application is completed accurately and completely. The CVSO is expected to provide a separate narrative identifying the facts of the unforeseen emergency and he/she is required to sign the application with the following acknowledgment / certification, “As Service Officer, I hereby declare the above FACTS are true and accurate to the best of my knowledge.” The CVSO does not work for NDVA, they are employed by the County.*
5. *Once an application is completed, signed by the applicant and the Service Officer, and submitted to NDVA, it is then reviewed by the NVA Program Manager to determine whether the requested assistance complies with established criteria and whether the application should be approved, partially approved or denied based on the information provided.*

In light of the recommendations provided by the State Auditor, NDVA in partnership with the CVSO's and the Veterans' Advisory Commission (VAC), will review the current NVA application process and procedures, and consider the logistics and risks associated with requesting and maintaining additional financial and/or medical information from the NVA applicants, and the possible impact this change would have to the utilization of the fund by veterans (or eligible dependents) who are facing an emergency situation.

Expenditure Compliance & Maximum Amounts

13 of 15 expenditures listed on the chart as unreasonable or unallowable were in response to the recent 500-year flood that affected thousands of Nebraska residents. NDVA and the VAC determined that it was appropriate for NVA funds to be used to assist veterans who lost furnaces, water heaters, appliances, food and clothing as a part of the statewide call for assistance to flood victims. NDVA will review existing NVA rules, regulations and guidelines for opportunities to update language (as needed) to ensure NVA funds may continue to be used to assist veterans when such unprecedented emergencies and needs occur.

Applications

- *NDVA has documented the designation of the NVA Program Manager to review and approve applications.*
- *NDVA will consider how best to formalize existing dual controls.*

Regulations

NDVA will conduct a review of all NVA regulations, rules and guidelines.

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COMMENT AND RECOMMENDATION
(Concluded)

It should be noted that this report is critical in nature, containing only our comment and recommendation on the areas noted for improvement and does not include our observations on any accounting strengths of the Department.

Draft copies of this report were furnished to the Department to provide its management with an opportunity to review and to respond to the comment and recommendation contained herein. The formal response received has been incorporated into this report. A response that indicates corrective action has been taken was not verified at this time, but it will be verified in the next examination.



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NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS PROGRAM 36 – DEPARTMENTAL ADMINISTRATION

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Department of Veterans' Affairs
Lincoln, Nebraska

We have examined the accompanying Schedule of Revenues, Expenditures and Changes in Fund Balances of the Nebraska Department of Veterans' Affairs (Department) Program 36 – Departmental Administration (Program 36) for the fiscal year ended June 30, 2019. The Department's management is responsible for the Schedule of Revenues, Expenditures, and Changes in Fund Balances based on the accounting system and procedures set forth in Note 1. Our responsibility is to express an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Schedule of Revenues, Expenditures, and Changes in Fund Balances is based on the accounting system and procedures set forth in Note 1, in all material respects. An examination involves performing procedures to obtain evidence about the Schedule of Revenues, Expenditures, and Changes in Fund Balances. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Schedule of Revenues, Expenditures, and Changes in Fund Balances, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Schedule of Revenues, Expenditures, and Changes in Fund Balances for the fiscal year ended June 30, 2019, is based on the accounting system and procedures prescribed by the State of Nebraska's Director of the Department of Administrative Services, as set forth in Note 1, in all material respects.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Schedule of Revenues, Expenditures, and Changes in Fund Balances; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and

abuse that has a material effect on the subject matter or an assertion about the subject matter of the examination engagement. We are also required to obtain and report the views of management concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Schedule of Revenues, Expenditures, and Changes in Fund Balances is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedule of Revenues, Expenditures, and Changes in Fund Balances or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed a certain finding that is required to be reported under *Government Auditing Standards*, and the finding, along with the views of management, is described in the Comment Section of the report.

The purpose of this report is to express an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances, as described in paragraph one above. Accordingly, this report is not suitable for any other purpose. This report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink, appearing to read "C.J. Janssen".

August 21, 2019

Charlie Janssen
Auditor of Public Accounts
Lincoln, Nebraska

NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS
PROGRAM 36 – DEPARTMENTAL ADMINISTRATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2019

	General Fund 10000	Department of Veterans' Affairs Cash Fund 22523	Department of Veterans' Affairs Federal Cash Fund 42540	Veterans Aid Income Fund 63200	Totals (Memorandum Only)
REVENUES:					
Appropriations	\$ 2,409,968	\$ -	\$ -	\$ -	\$ 2,409,968
Miscellaneous		-	-	7,435	7,435
TOTAL REVENUES	2,409,968	-	-	7,435	2,417,403
EXPENDITURES:					
Personal Services	1,860,288	114,908	170,672	-	2,145,868
Operating	441,226	1,331	23,024	-	465,581
Travel	59,175	-	7,352	-	66,527
Capital Outlay	49,279	-	-	-	49,279
Government Aid	-	-	-	1,974,161	1,974,161
TOTAL EXPENDITURES	2,409,968	116,239	201,048	1,974,161	4,701,416
Deficiency of Revenues Under Expenditures	-	(116,239)	(201,048)	(1,966,726)	(2,284,013)
OTHER FINANCING SOURCES (USES):					
Sales of Assets	7,604	-	-	-	7,604
Deposit to General Fund	(7,604)	-	-	-	(7,604)
Operating Transfers In	-	-	-	2,082,861	2,082,861
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	2,082,861	2,082,861
Net Change in Fund Balances	\$ -	\$ (116,239)	\$ (201,048)	\$ 116,135	\$ (201,152)

The accompanying notes are an integral part of the schedule.

NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS
PROGRAM 36 – DEPARTMENTAL ADMINISTRATION

NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2019

1. Criteria

The accounting policies of the Nebraska Department of Veterans' Affairs (Department) Program 36 – Departmental Administration (Program 36) are on the basis of accounting, as prescribed by the State of Nebraska's Director of the Department of Administrative Services (DAS).

Per Neb. Rev. Stat. § 81-1107(2) (Reissue 2014), the duties of the State of Nebraska's Director of DAS include the following:

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 2014), 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 EnterpriseOne, an accounting resource software, to maintain the general ledger and all detailed 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 maintained on EnterpriseOne. EnterpriseOne is not an accrual accounting system; instead, accounts are maintained on a modified cash basis. As revenue transactions occur, the agencies record the accounts receivable and related revenues in the general ledger. As such, certain revenues are recorded when earned, regardless of the timing of related cash flows. State Accounting does not require Program 36 to record all accounts receivable and related revenues in EnterpriseOne; as such, Program 36's schedule does not include all accounts receivable and related revenues. In a like manner, expenditures and related accounts payable are recorded in the general ledger as transactions occur. As such, the schedule includes those expenditures and related accounts payable posted in the general ledger as of June 30, 2019, and not yet paid as of that date. The amount recorded as expenditures on the schedule, as of June 30, 2019, **does not** include amounts for goods and services received before June 30, 2019, which had not been posted to the general ledger as of June 30, 2019.

The following fund types are established by the State and used by Program 36:

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.

NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS
PROGRAM 36 – DEPARTMENTAL ADMINISTRATION

NOTES TO THE SCHEDULE
(Continued)

1. Criteria (Concluded)

40000 – Federal Funds – account 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 are made in accordance with the terms of the trust.

The following major revenue account classifications are established by State Accounting and used by Program 36:

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.

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

The following major expenditure account classifications are established by State Accounting and used by Program 36:

Personal Services – Salaries, wages, and related employee benefits provided for all persons employed by Program 36.

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

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

Capital Outlay – Expenditures that 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.

Government Aid – Payment of State money to governmental subdivisions, State agencies, local health and welfare offices, individuals, etc., in furtherance of local activities and accomplishment of State programs.

Other significant accounting classifications and procedures established by State Accounting and used by Program 36 include:

Other Financing Sources – Operating transfers, deposits to the General Fund, and proceeds of fixed asset dispositions.

NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS
PROGRAM 36 – DEPARTMENTAL ADMINISTRATION

NOTES TO THE SCHEDULE
(Concluded)

2. Reporting Entity

The Department is a State agency established under and governed by the laws of the State of Nebraska. As such, Program 36 is exempt from State and Federal income taxes. The schedule includes all funds of Program 36 included in the general ledger.

The Department is part of the primary government for the State of Nebraska.

3. Totals

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

4. Fund Balances

Fund Balances are not recorded by Program 36 but rather by a Fund in total and, therefore, are not shown on the financial schedule. Funds may include many programs allowing revenues and expenditures to be recorded in different programs but still within the same fund. The financial schedule only reflects the activity of Program 36 for each of the funds. The Veterans’ Aid Income Fund is only used by Program 36 and has a balance of \$606,128 as of June 30, 2019.

5. Transfers

Operating transfers to the Veterans’ Aid Income Fund (Fund 63200) included net investment income of \$2,082,861 received from the Nebraska Veterans’ Aid Fund (Fund 63330) in accordance with Neb. Rev. Stat. § 80-401 (Reissue 2014). Also, per Neb. Rev. Stat. § 80-401, the Nebraska Investment Council is responsible for managing the Nebraska Veterans’ Aid Fund. The investment and reinvestment of the Nebraska Veterans’ Aid Fund is to be made in the same type of securities authorized for investment of funds by the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act.

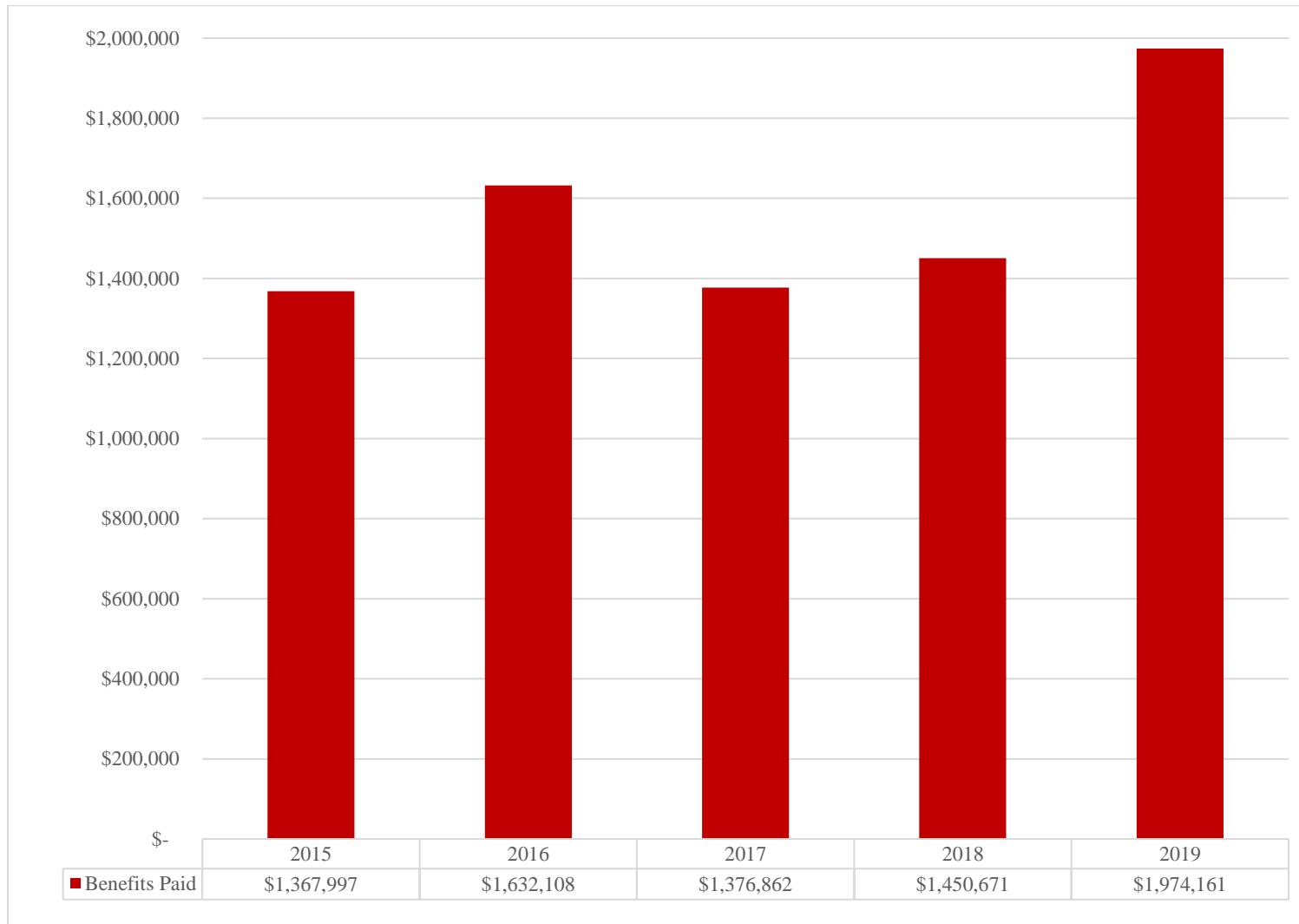
**NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS
PROGRAM 36 – DEPARTMENTAL ADMINISTRATION**

SUPPLEMENTARY INFORMATION

Our examination was conducted for the purpose of forming an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances. Supplementary 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 DEPARTMENT OF VETERANS' AFFAIRS
PROGRAM 36 – DEPARTMENTAL ADMINISTRATION
NEBRASKA VETERANS' AID BENEFITS PAID BY FISCAL YEAR

Exhibit A



**NEBRASKA DEPARTMENT OF VETERANS' AFFAIRS
PROGRAM 36 – DEPARTMENTAL ADMINISTRATION
VETERANS' BENEFITS BY CATEGORY AND FISCAL YEAR**

Exhibit B

