

**State Audit of NDE  
FY2005-06  
Auditor Comments Not Included in Published Audit Report  
June 28, 2007**

**EXIT COMMENTS:**

**1. Sick Leave Balances (Point #4)**

Two of two employees tested who retired did not have their sick leave balances appropriately reduced to zero upon retirement.

We recommend the Department implement procedures to ensure all sick leave balances are reduced to zero upon retirement.

**2. Incorrect Retirement Contributions (Point #5)**

One of twenty-five employees tested did not contribute to retirement as required by Neb. Rev. Stat. Section 84-1322 (2)(a) R.R.S. 1999.

We recommend the Department begin the employee on makeup contributions in order to make up the contributions to retirement the employee missed.

**3. Personnel Form (Point #10)**

Two of twenty-five employees tested did not have an Employment Eligibility Verification (I-9) form on file with the Department.

We recommend the Department require and maintain an I-9 form for all employees hired after November 6, 1986.

**4. Incorrect Time Recording (Point #11)**

One of twenty-five employee's timesheets tested was completed incorrectly resulting in incorrect pay. This resulted in a \$41 overpayment.

We recommend the Department implement policies or procedures to ensure employees are paid correctly for the work performed.

**5. Incorrect Leave Earnings (Point #12)**

One of twenty-three employees tested did not earn the correct leave for one month tested. Employee worked 60% of the month earning 4.8 hours of vacation and sick leave; however, since the employee was recorded in NIS as a 56.25% employee they only received 4.5 leave hours.

We recommend the Department implement policies and procedures to ensure employee leave is calculated and correctly accrued to employees.

**6. Terminated Employees not Recorded Properly in NIS (Point #15)**

One terminated employee was identified in NIS as inactive in the pay status field rather than terminated.

We recommend the Department use the proper coding in NIS to reflect the correct pay status of their employees. We also recommend the Department review the pay status of all employees on a periodic basis to ensure correct coding has been used.

**7. Lack of Supporting Documentation for State Withholdings (Point #18)**

One of twenty-five employees tested did not have documentation supporting their state tax withholding amount. The employee changed their federal withholding from zero to one and their state withholding remained at zero.

We recommend the Department implement policies or procedures to ensure state tax withholdings are properly supported.

**8. Level of Effort Calculation (Point #13)**

For two of five school districts tested, the aggregate cost calculated by the Department which was used in the calculation of maintenance of effort for Title I (Grants to Local Education Agencies), included transfers twice.

We recommend the Department implement procedures to ensure the calculation of aggregate cost used in the determination of maintenance of effort is correct.

**9. Incorrect Coding of Expenditures (Point #2 and Point #8)**

Two of thirteen expenditures tested were incorrectly coded as prior year obligations (P9) when they should have been coded as current year payment (PV). Two of four expenditures tested were incorrectly coded as current year payments when they should have been charged to the prior year (P9).

We recommend the Department implement procedures to ensure expenditures are coded appropriately.

**10. Incorrect Fixed Asset Listing (Point #6)**

One fixed asset on the Department's Fixed Asset listing could not be located since the building, located in Cozad, was sold. The Department was not certain whether or not they retained ownership of the asset after the building was sold.

We recommend the Department implement procedures to ensure fixed asset records are accurate.

**11. Improper Documentation for Vehicle Assigned on 24-Hour Basis (Point #19)**

One vehicle assigned to an employee on a 24-hour basis did not have proper documentation per Executive Order 99-02 with their application maintained on file. The notification submitted to the Department of Administrative Services - Transportation Service Bureau (TSB) did not include the employee's job title or the reason for the request. This was a prior year finding.

We recommend the Department ensure the application for permanently assigned vehicle has appropriate documentation based on executive order.

**12. Travel-Incorrect Coding (Point #23)**

One travel document tested included a \$500 conference fee coded to a Travel object account when it should have been to an operating object account. Conference Registration was coded to 574500 - Mileage when it should have been coded to object account 522200 - Conference Registration.

We recommend the Department implement procedures to ensure expenditures are properly coded for fund, program, business unit, and major object account.

**13. Travel-Unallowable Expenditure (Point #24)**

One expense reimbursement document tested included reimbursement for an alcoholic beverage.

We recommend the Department implement procedures to ensure employees are only reimbursed for allowable costs.

**14. Travel-Expense Reimbursement not Submitted Monthly (Point #25)**

Two travel documents tested were not submitted in a timely manner. One reimbursement was for August 2005 through November 2005. The other reimbursement was for November 2005 to January 2006.

We recommend the Department implement procedures which ensure employees comply with state statute stating all expense reimbursements should be submitted each month.

**15. Travel-Tips as Miscellaneous Travel Expenditures (Point #28)**

During our testing of travel expenditures we noted tips for meals were not included in the amount reported by the employee for the meal reimbursed per Department Administrative Memorandum #205. However, this was in conflict with guidelines established by the Federal General Service Administration (GSA).

We recommend the Department change their Administrative Memorandum policy related to tips for meals in order to be consistent with the GSA guidelines. Tips should be included as a part of the meal cost and not as a miscellaneous expense.

**16. Travel-Unreasonable Miscellaneous Expenditures (Point #29)**

One of thirteen expense reimbursement documents tested included reimbursement for two phone calls, occurring on the same day, totaling \$25.04. These calls were in excess of the 5 minute daily maximum for personal calls allowed by the Department.

We recommend the Department implement procedures to ensure reimbursements are made based upon the Department's policies.

**17. Case Manager Authorization (Point #7)**

For one of six disability determination expenditures tested the authorization for an examination room fee was not signed by the case manager.

We recommend DDS ensure all authorizations are properly authorized by the appropriate individuals.

**18. Information Technology Findings (Point #31)**

The State Auditor's Office completed testing procedures related to general computer controls (GCCs) as part of the State of Nebraska Information Technology Audit. The testing procedures at the State of Nebraska were conducted to cover the period from July 1, 2006-May 1, 2007.

The scope of the audit included follow up on prior year observations relating to application and general computer controls for the applications identified by the State Auditor that support financial reporting activities for the State of Nebraska. The following is a list of findings from prior year determined to still exist in 2007(some findings from fiscal year 2006 were resolved in the current audit and those findings are not reported here):

**Quest Application Information Security Access Appropriateness:**

- Application Developers are responsible for implementing security changes.
- All application programmers have access to production source code. As a result, application developers can make modifications directly to the production environment.

**Grant Management System (GMS) (Portal) Information Security Access Appropriateness:**

- Passwords can be utilized for an unlimited amount of time with no change requirement.
- The activation code allowing Department employees with staff level access to gain access to the GMS application is the same for each user and not regularly changed.
- Policies and procedures have not been established to document Department staff level user provisioning for the GMS application.
- There is no process to ensure that district administrator accounts are removed in a timely manner in the event of termination.
- Two of six staff level users with NDE ADMIN level access privileges within the GMS application do not require this functionality to complete their job responsibilities.
- School district level access codes utilized by the district administrator to grant additional access to the application are the same for each user granted access to the specific user group. Codes are not changed unless the district administrator specifically requests this action which could result in terminated employees registering again and transacting on the school district's grant.

**Grant Management System Information Systems Operations**

- Systematic monitoring of processing is not performed on the GMS servers by the State of Nebraska.
- Exceptions in processing are not logged by the State of Nebraska. Department of Education management does not review exceptions and exceptions are not escalated to management.

**Application Development, Database, and System Software Change Management Test Plans:**

- Test plans for changes to the GMS application, data structures, and system software are not documented or retained to evidence the testing of changes prior to mitigation to the production environment.

**System Software Support Change Management Standardized Change Management Process:**

- A formal documentation flow and retention policy has not been established to document the initial change request, management's subsequent approval, testing and implementation of the proposed change, and the review of the change after implementation has taken place for changes relating to GMS and system software.

**GMS Management System Interface Controls****Completeness & Accuracy of Processing:**

- A formal reconciliation review and signoff process is not currently in place for the GMS to NIS batch payment.

**Access Appropriateness:**

- GMS System edits do not prevent users from resubmitting payment batches to the FINPAY FTP file.