



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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December 13, 2023

Thomas Brieese, State Treasurer
Nebraska State Treasurer
State Capitol, Room 2005
Lincoln, Nebraska 68509-4788

Dear State Treasurer Brieese:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nebraska (State), as of and for the year ended June 30, 2023, 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, and we have issued our report thereon dated December 13, 2023. In connection with our engagement to audit the financial statements, we considered the State's internal control over financial reporting (internal control) as a basis for designing 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 State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

In connection with our engagement to audit the financial statements as described above, we noted a certain internal control or compliance matter related to the activities of the State Treasurer or other operational matter that is presented below for your consideration. The comment and recommendation, which has been discussed with the appropriate members of the State Treasurer's management, is intended to improve internal control or result in other operating efficiencies.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a 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 and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Draft copies of this letter were furnished to the State Treasurer to provide 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 letter. The response was not subjected to the other auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on it. A response that indicates corrective action has been taken was not verified at this time, but it will be verified in the next audit.

The following is our comment and recommendation for the year ended June 30, 2023.

State Disbursement Unit Kiosk Cash Collection Procedures

In May and June 2022, the State Disbursement Unit (SDU) opened seven self-serve kiosk locations to allow child support payments to be made via cash, debit card, credit card, check, or money order. However, the SDU failed to implement procedures to ensure the cash, checks, and money orders collected within these kiosks were deposited into the SDU's bank account in a timely manner.

In fact, for three of the seven kiosk locations, the cash collected during June and July 2022 was not deposited into the SDU's bank account for over a year. Deposits of money collected from the remaining four kiosks were made more frequently; however, those amounts were still held for over a month at two locations, over a week at one location, and nearly a week at one location.

The following table highlights the collection dates versus the deposit dates for the various kiosks:

Kiosk	Location	Amount Held	Dates of Collections	Bank Deposit Date
1	Lincoln - Nebraska Child Support Payment Center	\$ 18,602	6/23/2023 - 6/30/2023	7/6/2023*
2	Omaha - Douglas County District Court Office	1,802	6/30/2023	7/6/2023*
3	Papillion - Sarpy County Jail	19,637	7/11/2022 - 6/30/2023	8/23/2023
4	Gering - Scotts Bluff County Courthouse**	3,411	6/2/2023 - 6/29/2023	7/11/2023*
5	Kearney - Buffalo County Court Office	97,604	6/1/2022 - 6/30/2023	7/12/2023
6	Grand Island - Hall County Child Support Office	91,149	6/9/2022 - 6/30/2023	7/11/2023
7	Norfolk - DHHS Office Building	7,338	5/8/2023 - 6/30/2023	8/17/2023*
		\$ 239,543		

* Amount was not traced directly to a bank deposit. Date listed agrees to the date the cash was removed from the bank reconciliation.

** Cash of \$300, received on 6/29/2023, was not included in the July deposit and continued to be held after this date.

The APA tested 18 cash receipts, totaling \$17,447, collected at the kiosks on August 5, 2022, and June 26, 2023, and found that most of the amounts owed had been distributed to the payees despite the money received not having been deposited previously to the SDU's bank account bank. The table below details these issues:

Receipt Date	Location	Amount	Date Deposited	# of Days Receipt to Deposit	Date Paid Out	# of Days Payment to Deposit
8/5/2022	Kearney	\$ 50	7/12/2023	341	N/A - Held	N/A
8/5/2022	Kearney	\$ 300	7/12/2023	341	8/9/2022 - 8/10/2022	336
8/5/2022	Grand Island	\$ 1,500	7/11/2023	340	8/9/2022	336
8/5/2022	Grand Island	\$ 6,100	7/11/2023	340	8/11/2022	334
6/26/2023	Lincoln	\$ 1,100	7/6/2023	10	6/28/2023	8
6/26/2023	Lincoln	\$ 400	7/6/2023	10	6/28/2023	8
6/26/2023	Lincoln	\$ 350	7/6/2023	10	6/28/2023	8
6/26/2023	Lincoln	\$ 300	7/6/2023	10	6/29/2023	7
6/26/2023	Lincoln	\$ 200	7/6/2023	10	6/27/2023	9
6/26/2023	Lincoln	\$ 400	7/6/2023	10	6/27/2023	9
6/26/2023	Lincoln	\$ 200	7/6/2023	10	6/28/2023	8
6/26/2023	Lincoln	\$ 1,000	7/6/2023	10	6/28/2023	8
6/26/2023	Lincoln	\$ 250	7/6/2023	10	6/28/2023	8
6/26/2023	Lincoln	\$ 220	7/6/2023	10	6/29/2023	7
6/26/2023	Kearney	\$ 100	7/12/2023	16	6/28/2023	14
6/26/2023	Kearney	\$ 177	7/12/2023	16	N/A - Held	N/A
6/26/2023	Kearney	\$ 4,000	7/12/2023	16	6/28/2023	14
6/26/2023	Grand Island	\$ 800	7/11/2023	15	6/29/2023	12
		\$ 17,447				

Because these amounts were paid out prior to the actual deposit of the monies collected from the kiosks, the State Treasurer appears to have been using other funds to make the payments in the meantime.

At the beginning of August 2023, the State Treasurer established collection schedules for each of the kiosks with one kiosk collected weekly, one kiosk collected every two weeks and the remaining kiosks collected monthly. However, the collection schedules do not appear appropriate since the payments are being made prior to collection and it is not reasonable to leave monies uncollected for more than a week.

Neb. Rev. Stat. § 84-710 (Cum. Supp. 2022) requires any money belonging to the State to be deposited to the State Treasury within three business days of receipt when the amount is \$500 or more and within seven days of receipt when the amount is less than \$500. While the State Treasurer believes that the deposits in question are not subject to these statutory requirements, the timeliness established in the statute offers sound guidelines for safeguarding funds paid to the State Treasurer and ensuring funds are deposited timely.

Good internal controls and sound business practices require procedures to ensure all cash collected at the SDU kiosks is deposited into the bank account timely. Without such procedures, there is an increased risk of loss, theft, or misuse of funds.

We recommend the State Treasurer implement procedures to ensure that all cash receipts are deposited into the bank account in a timely manner.

State Treasurer's Response: The State Treasurer has worked to have funds removed from kiosks and deposited into a state bank account in a timely manner. The kiosks became operational at different times in 2022 – 2023 and some of them were operational before an agreement was in place with an armored car company to pick up cash and deliver to the bank.

As noted, the State Treasurer believes these funds aren't "money belonging to the State", as these funds are child support payments being made by non-custodial parents, which the State Treasurer's Office sends to the custodial parents. The State Treasurer has worked to have these funds deposited in a state bank account in a timely manner. An armored car company has been hired to make pickups and we're already in the process of making changes to the pickup schedule, which will result in more frequent pickups. There is an increased cost to the Treasurer's Office to have more frequent pickups.

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

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



Kris Kucera, CPA, CFE
Assistant Deputy Auditor