



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Dear Sirs and Madam:

This letter is provided pursuant to American Institute of Certified Public Accountants (AICPA) Auditing Standards AU-C Section 265.A18, which permits the early communication of audit findings due to their significance and the urgent need for corrective action. The audit work addressed herein was performed as part of the fiscal year ended June 30, 2025, Annual Comprehensive Financial Report (ACFR) audit. This communication is based on our audit procedures through May 31, 2025. Because we have not completed our audit of the fiscal year 2025 ACFR, additional matters may be identified and communicated in our final report.

In planning and performing our audit of 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, 2025, 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, we considered the State's system of 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.

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 second paragraph herein and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; therefore, material weaknesses and significant deficiencies may exist that were not identified.

In connection with our audit described above, we noted certain internal control or compliance matters related to the activities of the agencies, or other operational matters, which are presented below for your consideration. The following comments and recommendations, which have been discussed with the appropriate members of the agencies, are intended to improve internal control or result in other operating efficiencies.

Draft copies of this early management letter were furnished to the agencies to provide 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 early management letter. *Government Auditing Standards* require the auditor to perform limited procedures on the responses. The responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next audit.

### **Background and Summary of Comments and Recommendations**

The Auditor of Public Accounts (APA) conducted a detailed analysis of State employees and vendors within the State's accounting system, EnterpriseOne (E1), to identify potentially fictitious employees, fraudulent or improper payments, and internal control deficiencies. Furthermore, the APA compared the employees and vendors paid to the death records maintained by the Office of Vital Records of the Nebraska Department of Health and Human Services (DHHS) to identify potentially fraudulent payments to deceased individuals.

The State accounting system maintains detailed information about each State employee and vendor, which is categorized by an assigned "address book number." This unique identification number can also be used to query certain information or run reports for a specific employee or vendor in the system.

It should be noted that the above procedures, which are limited to payments made through the State's accounting system, EnterpriseOne, were not designed to identify all improper payments made by the State of Nebraska. Other State systems, such as the Nebraska Department of Labor (NDOL) NEworks system and some DHHS systems, issue benefit payments and record only the payment amounts in total, not the detail of each payment. Further, DHHS provides various benefits for individuals, and those benefits are sometimes paid to providers or other organizations (e.g., Managed Care Organizations) rather than directly to the individuals. Therefore, the payment in the State accounting system would be to the provider or organization, and there is a risk that a provider or organization receives improper benefit funds on behalf of an ineligible individual that would not be discovered through the procedures noted above.

The following are some of the issues and concerns that we identified during our analysis: 1) alleged fraud of Workers' Compensation Court benefits; 2) payments to deceased individuals; 3) reimbursement overpayments of tuition expenses, bonuses, and moving expenses; 4) lack of benefit repayments and policy provisions for terminated employees; 5) excessive reimbursements for personal vehicle mileage; 6) payments to terminated or inactive address book numbers; and 7) other address book issues or concerns.

The table below lists the impacted State agency and the associated comment(s) and recommendation(s) for each State agency:

Nebraska State Agency	Comment #
Workers' Compensation Court (NWCC)	1
Department of Health and Human Services (DHHS)	2, 3, 4
Nebraska Public Employees Retirement Systems (NPERS)	2
Department of Environment and Energy (NDEE)	2
Department of Correctional Services (NDCS)	3, 7
Department of Transportation (NDOT)	3, 4, 6
Supreme Court	3, 4, 7
Department of Veterans' Affairs (NDVA)	4
Brand Committee	5
Attorney General (AG)	5
Tax Equalization and Review Commission (TERC)	5
Department of Administrative Services (DAS)	7, 8, 9, 10
Legislative Council	7
Corn Board	7
Real Estate Commission	7

The following are our comments and recommendations for the year ended June 30, 2025, ACFR.

### 1. **Alleged Fraud – Workers' Compensation Court Benefits**

While comparing State payments to the applicable death records, we noted that the Nebraska Workers' Compensation Court (NWCC) inappropriately paid Second Injury Benefits, totaling \$18,900, for DeWayne L. Thorell after his death on April 17, 2024. **Further, the following information points to the apparently improper personal use of these Second Injury Benefits by Mr. Thorell's daughter, giving rise to concerns regarding possible violations of State law.**

The Second Injury Benefit payments at issue are summarized in the table below:

E1 Address Number	Deceased/ E1 Payee Name	E1 G/L Date	E1 Remark	E1 Invoice Number	E1 Payment Amount	Questioned Overpayment
4280015	DEWAYNE L THORELL	4/1/2025	WCC 402-471-6464	SIF PAYMENT-APRIL 2025	\$ 1,500	\$ 1,500
4280015	DEWAYNE L THORELL	3/12/2025	WCC 402-471-6464	SIF PAYMENT- MARCH 2025	1,550	1,550
4280015	DEWAYNE L THORELL	2/4/2025	WCC 402-471-6464	SIF PAYMENT- FEB 2025	1,400	1,400
4280015	DEWAYNE L THORELL	1/6/2025	WCC 402-471-6464	SIF PAYMENT- JAN 2025	1,550	1,550
4280015	DEWAYNE L THORELL	12/3/2024	WCC 402-471-6464	SIF PAYMENT-DEC 2024	1,550	1,550
4280015	DEWAYNE L THORELL	11/18/2024	WCC 402-471-6464	SIF PAYMENT-NOV 2024	1,500	1,500
4280015	DEWAYNE L THORELL	10/8/2024	WCC 402-471-6464	SIF PAYMENT- OCT 2024	1,550	1,550
4280015	DEWAYNE L THORELL	9/13/2024	WCC 402-471-6464	SIF PAYMENT-SEPT 2024	1,500	1,500
4280015	DEWAYNE L THORELL	8/2/2024	WCC 402-474-6464	SIF PAYMENT-AUG 2024	1,550	1,550
4280015	DEWAYNE L THORELL	7/12/2024	wcc 402-471-6464	SIF JULY 2024	1,550	1,550
4280015	DEWAYNE L THORELL	6/5/2024	wcc 402-471-6464	SIF JUNE 2024	1,500	1,500
4280015	DEWAYNE L THORELL	5/10/2024	wcc 402-471-6464	SIF MAY 2024	1,550	1,550
4280015	DEWAYNE L THORELL	4/9/2024	wcc 402-471-6464	SIF APRIL 2024	1,500	650
<b>Totals</b>					<b>\$ 19,750</b>	<b>\$ 18,900</b>

Per the State accounting system, the above payments were paid to a personal checking bank account at the Farmers and Merchants Bank of Ashland, located in Ashland, Nebraska. The APA obtained copies of not only the bank statements from April 2024 through March 2025 but also the Account Agreement. Per the Account Agreement, the following was noted: 1) the account was created on February 9, 2023; 2) the Taxpayer's Identification Number (TIN) on the account is Mr. Thorell's social security number; 3) Mr. Thorell's daughter was listed as the only pay-on-death beneficiary; and 4) the only authorized signers on the account are Mr. Thorell and his daughter. It appears that subsequent to the creation of this account, the account title was changed to refer to Mr. Thorell's Trust (Trust); however, the account owner, TIN, pay-on-death beneficiary, and authorized signers remained the same. As will be explained further below, this checking account appears to have been under the control of Mr. Thorell's daughter since his death in April 2024.

The APA requested documentation from NWCC to support these NWCC benefit payments. In the documentation provided to our office from NWCC, we observed an Order Nunc Pro Tunc (Order), dated March 22, 2007, that stated the following:

3. Effective November 23, 2006, the Workers' Compensation Trust Fund shall be solely liable for payment of any and all indemnity benefits owed to Defendant Thorell. At this time, such benefits are in the form of permanent total disability benefits in the amount of \$350.00 per week. These benefits will remain fixed until such time as the Award herein of February 22, 2005, may be modified.

Paragraph III of the Award, dated February 22, 2005, referenced in the Order above, stated the following:

from February 5, 1998, through November 1, 1999, or a period of 90.7143 weeks. The defendant Thorell is entitled to TTD payments for said period in the amount of \$350.00 per week.

Given the Court's findings relative to the defendant Thorell's permanent disability, a like sum per week is owed from and after November 1, 1999, and for so long as the defendant shall remain permanently and totally disabled.

It should be noted that the Award originally denied the claim against the Nebraska Workers' Compensation Trust Fund; however, that was appealed, and the Nebraska Court of Appeals overturned the denial in October 2006. Therefore, NWCC has been making monthly Second Injury Benefit payments for Mr. Thorell since December 2006.

However, neither the Award nor Order provide for benefits continuing after death. Further, the APA inquired with NWCC and was informed that, in general, NWCC benefits cease upon death of the disabled individual.

On May 14, 2025, the APA contacted the NWCC Business and Human Resources Manager and informed her of Mr. Thorell's death. She stated that NWCC was unaware of his death, and payments should have ceased after Mr. Thorell died on April 17, 2024. Moreover, she said that NWCC's procedure is to send out an annual verification in December or January to verify that the individual is still alive and disabled. Per NWCC's records, the verification letter was sent in December 2024 to Mr. Thorell at a property in Lincoln, Nebraska; however, it was never returned. No follow-up was completed by NWCC. The property to which the letter was sent was still owned by the Trust as of May 14, 2025, and Mr. Thorell's spouse had been living there until April 8, 2025.

To see if there had been any possible personal use of these benefit funds, the APA reviewed the personal Trust bank statements from April 1, 2024, through March 31, 2025. During that review, we noted multiple deposits and payments on the account, indicating that it was being actively used after Mr. Thorell's death. The following table summarizes the account balances and activity for this period:

Beginning Balance 4/1/2024	Deposits	Disbursements	Ending Balance 3/31/2025
\$ 103,930.15	\$ 116,316.58	\$ 164,836.98	\$ 55,409.75

Based on our review of these bank statements, most payments for the period were through bill pay; however, the majority of the checks were signed by Mr. Thorell's daughter. Additionally, three checks were signed by Mr. Thorell's spouse a couple of months after his death. Further, we noted the following disbursements – that may have been personal payments to, or for the expenses of Mr. Thorell's daughter – which greatly exceed the amount inappropriately paid by NWCC:

Payee	# of Payments	Amount
Bank of America	11	\$ 30,599.04
Sam's Club	12	22,709.32
Navy Federal Credit Union	1	10,000.00
Mr. Thorell's Daughter	2	4,250.00
<b>Payment Count &amp; Total</b>	<b>26</b>	<b>\$ 67,558.36</b>

On May 14, 2025, the APA spoke by telephone with Mr. Thorell's daughter regarding both these State payments and others made to Mr. Thorell. The following are significant matters addressed during that telephone call:

- Mr. Thorell's daughter acknowledged being designated as the attorney-in-fact under Mr. Thorell's power of attorney (POA), as well as performing that same responsibility under the current POA for her mother.
- The APA noted that Mr. Thorell's daughter contradicted herself multiple times during this telephone conversation. Around the five-minute mark of the call, the APA inquired if she was aware of any State or Federal funds, other than retirement benefits and tax refunds, having been deposited to the Trust account. **She stated, "No, I mean, no, not that I'm aware of, no."**

However, near the eight-minute mark of the call, the APA inquired again regarding other State or Federal Funds, enumerating for her common State/Federal payments, including Workers' Compensation benefits. **She replied that her father had "Workmans' Comp. payments" and "I believe, I think, no, I think those are still coming in."** Soon after that, the APA confirmed with her that the benefits were for Mr. Thorell and not his spouse.

Furthermore, near the end of the telephone call, the APA pointed out that Mr. Thorell's daughter appears to have been aware of the Workers' Compensation benefits still being deposited to the Trust account; however, she had not taken action to notify the NWCC of that fact and of Mr. Thorell's death. When the APA asked if this understanding was correct, Mr. Thorell's daughter responded as follows:

*No, not really. I tell you why, the past year has been so very, very crazy. And, you know, taking care of the nitty gritty on finances is not - I mean, I've just - I've been providing, practically, 24 hours a day, 7-days a week care for [redacted]. When I've been in country, I've been coming in and out and trying to keep up with my life in Bangkok, as well as, you know, take care of [redacted]. And [redacted] been in and out of the hospital, so no, I can't necessarily say that I was, you know, fully aware. No. You know?*

- Mr. Thorell's daughter admitted that she had not informed the NWCC of her father's death. Further, she stated that she never received the annual verification letter sent by the NWCC.
- According to Mr. Thorell's daughter, her father's Trust account was used for her mother's care – despite her mother having a separate personal bank account – and not for her own personal expenses. However, when the APA asked her about the payments listed in the table above, Mr. Thorell's daughter provided inconsistent answers. The following is a summarization of the explanations that she provided during the telephone call:
  - **Bank of America (\$30,599.04)** – She stated that this was her mother's card, and it was used primarily to purchase supplies for her mother. When asked about personal charges for herself, she stated it was used for gas, materials for home renovations, and other living expenses. A little later in the call, she mentioned purchasing a new bed for her mother.
  - **Sam's Club (\$22,709.32)** – She stated that this account was used to purchase certain supplies for her mother, costing approximately \$700. When asked about the significant amounts paid each month, she said that a memorial for her father was purchased for around \$8,200. **Also, when asked if this account was used personally by her, she stated, "No, generally not."**
  - **Navy Federal Credit Union (\$10,000)** – She claimed that this was to cover "my expenses and stuff for my stay."
  - **Payments to herself (\$4,250)** – She said that these payments were for her "travel" and partially for care of her mother.

Later that same day, after the above telephone conversation, the APA received a voicemail from the NWCC Business and Human Resources Manager, stating that Mr. Thorell's daughter called the NWCC and wanted to know how to repay the disability benefit funds at issue. On May 20, 2025, the NWCC Business and Human Resources Manager notified the APA by email that Mr. Thorell's daughter had repaid the questioned benefit funds. The APA also observed this bank deposit recorded in the State's accounting system, EnterpriseOne, dated the same day for a total of \$18,900.

Even though the funds were repaid in an untimely manner, the above information indicates that Mr. Thorell's daughter may have benefited personally from these Second Injury Benefit payments to her deceased father, totaling \$18,900, giving rise to concerns regarding possible violations of State law.

Neb. Rev. Stat. § 28-510 (Reissue 2016) states the following:

*Conduct denominated theft in sections 28-509 to 28-518 constitutes a single offense embracing the separated offenses heretofore known as larceny, embezzlement, false pretense, extortion, blackmail, fraudulent conversion, receiving stolen property, and the like. An accusation of theft may be supported by evidence that it was committed in any manner that would be theft under sections 28-509 to 28-518, notwithstanding the specification of a different manner in the indictment or information, subject only to the power of the court to insure fair trial by granting a continuance or other appropriate relief where the conduct of the defense would be prejudiced by lack of fair notice or by surprise.*

Neb. Rev. Stat. § 28-512 (Reissue 2016) creates the criminal offense of "theft by deception," as set out below, in relevant part:

*A person commits theft if he obtains property of another by deception. A person deceives if he intentionally:*

- (1) Creates or reinforces a false impression, including false impressions as to law, value, intention, or other state of mind; but deception as to a person's intention to perform a promise shall not be inferred from the fact alone that he did not subsequently perform the promise; or*
- (2) Prevents another from acquiring information which would affect his judgment of a transaction; or*
- (3) Fails to correct a false impression which the deceiver previously created or reinforced, or which the deceiver knows to be influencing another to whom he stands in a fiduciary or confidential relationship[.]*

Neb. Rev. Stat. § 28-514 (Reissue 2016) states the following regarding property delivered by mistake:

- (1) A person who comes into control of property of another that he or she knows to have been lost, mislaid, or delivered under a mistake as to the nature or amount of the property or the identity of the recipient commits theft if, with intent to deprive the owner thereof, he or she fails to take reasonable measures to restore the property to a person entitled to have it.*
- (2) Any person convicted of violating subsection (1) of this section shall be punished by the penalty prescribed in the next lower classification below the value of the item lost, mislaid, or delivered under a mistake pursuant to section 28-518.*
- (3) Any person convicted of violating subsection (1) of this section when the value of the property is five hundred dollars or less shall be guilty of a Class III misdemeanor for the first conviction, a Class II misdemeanor for the second conviction, and a Class I misdemeanor for the third or subsequent conviction.*

Neb. Rev. Stat. § 28-518 (Cum. Supp. 2024) grades theft offenses as follows, in relevant part:

- (1) Theft constitutes a Class IIA felony when the value of the thing involved is five thousand dollars or more.*
- (2) Theft constitutes a Class IV felony when the value of the thing involved is one thousand five hundred dollars or more but less than five thousand dollars.*
- (3) Theft constitutes a Class I misdemeanor when the value of the thing involved is more than five hundred dollars but less than one thousand five hundred dollars.*
- (4) Theft constitutes a Class II misdemeanor when the value of the thing involved is five hundred dollars or less.*

These potential statutory concerns aside, it should be noted that good internal controls and sound accounting practices require procedures to ensure that all State payments are proper, allowable, and not made to deceased individuals. When identified, moreover, errors should be corrected, and improper payments should be recouped in a timely manner. Further, those procedures should include proper follow-up of the annual verification letters to ensure they are completed/returned, and individuals receiving benefits are still entitled thereto.

Without such procedures, there is an increased risk for fraud or misuse of State funds.

We recommend NWCC strengthen its procedures to ensure all State payments are proper, allowable, and not made to deceased individuals. When identified, moreover, errors or overpayments should be corrected, and improper payments should be recouped in a timely manner. Further, those procedures should include proper follow-up of the annual verification letters to ensure they are completed/returned, and individuals receiving benefits are still entitled thereto. Finally, because this comment points to possible violations of State law, we are referring this information to the Nebraska Attorney General and the Lancaster County Attorney for further review.

**NWCC Response:** Six days after this payment issue or concern was brought to the Court’s attention, the court recovered the entire amount of the overpayment. **The Workers’ Compensation Trust Fund has been reimbursed in full for the amount of the payments issued to Dewayne L. Thorell following his death.** Additionally, the NWCC has worked with accounting staff to ensure they understand and agree to follow the procedures for issuing Second Injury Fund payments as well as the importance of occasional confirmation that the person to whom payment is issued is alive. The NWCC is also working with the Assistant Attorney General who represents the court to search resources available to the Attorney General’s Office that will identify whether individual Second Injury Fund recipients have died.

The NWCC has updated the procedure for issuing Second Injury Fund payments, and reviewed that procedure with Accounting and Finance staff. **A copy of the updated Second Injury Fund payment procedure was provided to the APA.**

Since the Auditor’s Office informed the NWCC that the Nebraska Attorney General and Lancaster County Attorney had been contacted concerning the potential misappropriation of the funds by Mr. Thorell’s daughter, the NWCC hasn’t separately contacted either of those officials.

## 2. Payments to Deceased Individuals & Other Issues

While comparing State payments to the applicable death records, we noted the following additional issues:

### **DHHS Payments to Deceased Individuals**

The Nebraska Department of Health and Human Services (DHHS) inadvertently paid two deceased individuals \$1,500 apiece, for a total of \$3,000, in Aged and Disabled (AD) Stabilization Grant payments, as summarized in the following table:

E1 Payee	E1 Remark	E1 Document #	E1 GL Date	E1 Amount	Date of Death (DOD)	Number of Days After DOD
Payee 1	2024 AD Stabilization Grant	55748237	8/27/2024	\$ 1,500	5/15/2024	104
Payee 2	2024 AD Stabilization Grant	55762573	8/28/2024	1,500	6/29/2024	60
<b>Total</b>				<b>\$ 3,000</b>		

On April 10, 2025, we asked DHHS to provide supporting documentation for these payments, and we received documents showing that these funds were for a workforce stabilization grant funded from American Rescue Plan Act funds. To qualify for this grant, no application was required by the provider, who needed only to have approved, paid claims from January through March 2024.

After further inquiry asking why funds were provided to these deceased individuals, the Developmental Disabilities – Deputy Director of Eligibility, Policy, and Quality responded on April 27, 2025, that “DHHS was not aware of these deaths” prior to making the payments in August 2024, and that “[t]he payments would not have been made if we were.” In the same communication, she indicated that the process to recoup the funds had been started, but it was initiated only after the APA’s inquiry. Per DHHS, the funds paid to Payee 1 were paid to a “ReliaCard” and were still available on the account as of April 24, 2025, and it would take about five to seven business days to recoup those funds. On May 29, 2025, DHHS confirmed that the funds were recouped for Payee 1. For Payee 2, the State Treasurer notified DHHS on May 14, 2025, that the bank was able to recoup the funds inappropriately paid for this payee.



Further, it should be noted that the dates of death for these individuals were obtained by the DHHS Office of Vital Records, and for one individual the date of death was already entered into the DHHS Nebraska Family Online Client User System (NFOCUS). Moreover, other payments processed through NFOCUS stopped around the dates of death for these two individuals; however, these AD Stabilization Grant payments were paid using a manual review process, which failed to check for deceased individuals against other systems or records used by the same agency.

#### ***NPERS Retirement Benefit Overpayment to Deceased Individual***

In August 2024, the Nebraska Public Employees Retirement Systems (NPERS) inadvertently paid \$2,896.13 to a deceased retiree. As of April 2025, NPERS had not made any subsequent attempts to contact the retiree's relatives regarding the overpayment; as a result, the amount had not been repaid. The overpayment is summarized below:

<b>E1 Payee</b>	<b>Description</b>	<b>E1 Document #</b>	<b>E1 GL Date</b>	<b>E1 Amount</b>	<b>Date of Death (DOD)</b>	<b>Number of Days After DOD</b>
Retiree 1	Annuity Payment	55729090	8/26/2024	\$ 2,896.13	7/23/2024	34

On September 25, 2017, NPERS was notified of the death of the retiree's spouse, after which the retiree passed away on July 23, 2024. NPERS was not notified of the retiree's death until September 4, 2024, when the overpayment had been made already. Upon becoming aware of the death, NPERS made several notes regarding the overpayment throughout the retiree's account in the Nebraska Public Retirement Information System (NPRIS). Additionally, on September 18, 2024, NPERS mailed a letter regarding the overpayment to his place of residence; however, the letter was addressed to the retiree's deceased spouse, which her death was previously reported to NPERS some seven years previously.

#### ***Other Issues***

During our comparison of active employee address book numbers to applicable death records, we noted the following:

- For 19 address book numbers, the State accounting system's "Search Type" field was set to "E" for active employees, and the pay status code was set to "0" for active as of early April 2025; however, each of these individuals matched to a deceased individual in the DHHS death records. Of these 19 employees, 16 were Patient Workers for DHHS, 2 were Per Diem Employees for DHHS, and 1 was a Per Diem Employee for the Nebraska Department of Environment and Energy (NDEE).
- On March 17, 2025, the APA requested the applicable death records from DHHS, explaining that we intended to perform an analysis of employees to those records. As of April 3, 2025, these 16 deceased patient workers were noted as active employees in the State accounting system and Workday, the State's Human Resources System.

On April 30, 2025, DHHS entered termination dates in Workday for the 16 patient workers, which ranged from 1,204 to 42 days from the dates of death to the date the termination dates were recorded. This was done before the APA had an opportunity to ask why these patient workers were still active as of April 3, 2025. Nevertheless, these terminations appear to have been entered into the system after the APA informed DHHS of our analysis due to the significant time between the dates of death and when the termination dates were entered into the system.

- We did not observe any improper payroll or expense reimbursements made to these individuals after their dates of death. However, for 10 of the 18 DHHS deceased employees identified above, as well as 1 NDEE deceased employee identified, we noted that paystubs, with \$0 gross and net wages, were issued for several pay periods after their dates of death.

Good internal controls require procedures to ensure the following: 1) all payments are proper, allowable, and not to deceased individuals; 2) when errors or overpayments are identified, the errors are corrected, and payments are recouped in a timely manner; and 3) employee records are updated for dates of death in a timely manner. Such procedures would include inactivating a deceased employee's records and ensuring paystubs are not issued after the date of death, besides final payroll, expense reimbursements, and leave payouts.

Without such procedures, there is an increased risk of fraud or misuse of State funds.



We recommend DHHS, NPERS, and NDEE strengthen their procedures to ensure the following: 1) all payments are proper, allowable, and not to deceased individuals; 2) when errors or overpayments are identified, the errors are corrected, and payments are recouped in a timely manner; and 3) employee records are updated for dates of death in a timely manner. Such procedures would include inactivating a deceased employee's records and ensuring paystubs are not issued after the date of death, besides final payroll, expense reimbursements, and leave payouts. We further recommend NPERS continue to work to recoup the inappropriate payment.

**DHHS Response:** For future payments similar to this, if applicable, the data team processes will include a thorough review of the data and will ensure to include available death records from NFOCUS in the data collection process. We have updated the process to include the data category that would capture deaths entered into NFOCUS.

**NPERS Response:** NPERS will work on strengthening procedures to ensure over payments are recouped in a timelier manner.

**NDEE Response:** The Auditor of Public Accounts correctly identified an active address book number of a deceased, per-diem Environmental Quality Council (EQC) member. There were no inappropriate payments made to the deceased and the address book number has since been deactivated. After researching the cause, it was determined that a breakdown in communication was the reason for the agency's (Nebraska Dept of Environment and Energy - NDEE) oversight. Because of this oversight (miscommunication), to prevent future occurrences, agency Legal dept employees will be in regular contact with the EQC regarding EQC per-diem employee status changes. The standard practice of NDEE is to deactivate address book numbers upon employment termination or death. The agency has not had issues or recent audit findings related to deactivating full-time/permanent, bi-weekly or temporary employees upon major status change.

### 3. Tuition Reimbursement Overpayments and Repayment Policies and Procedures

As part of our detailed analysis, the APA ran reports and queries from the State accounting system, EnterpriseOne, for multiple disbursement account codes, including tuition payments to employees. The APA performed testing of tuition reimbursement payments made by the following agencies: Nebraska Department of Correctional Services (NDCS), Nebraska Department of Health and Human Services (DHHS), Nebraska Department of Transportation (NDOT), and Nebraska Supreme Court (Supreme Court). The following table details the total amount of tuition reimbursement payments made by each of these agencies between July 1, 2022, and March 7, 2025:

Agency Number	Agency Name	Total Tuition Reimbursement Payments
46	Nebraska Department of Correctional Services	\$ 540,851
25	Nebraska Department of Health and Human Services	486,942
27	Nebraska Department of Transportation	311,475
5	Nebraska Supreme Court	218,844
<b>Total</b>		<b>\$ 1,558,112</b>

For each of these agencies, we noted that repayment of tuition reimbursements was not always collected if overpayments were made or if employment was terminated soon after receiving such tuition reimbursements. The following table summarizes the potential repayments that were not collected by these agencies:

Agency Number	Agency Name	Overpayment or Termination	Minimum Possible Repayment Amount*	Maximum Possible Repayment Amount*
46	Nebraska Department of Correctional Services	Termination	\$ 53,661	\$ 67,843
46	Nebraska Department of Correctional Services	Overpayment	1,286	1,286
25	Nebraska Department of Health and Human Services	Termination	37,081	49,002
27	Nebraska Department of Transportation	Termination	574	746
5	Nebraska Supreme Court	Termination	4,840	4,840
<b>Totals</b>			<b>\$ 97,442</b>	<b>\$ 123,717</b>

\*See comments below for more details on how these amounts were calculated.

The following was noted while testing these tuition reimbursement payments for each of these agencies.

### **Nebraska Department of Correctional Services**

#### **Lack of Repayment Policy**

During testing, we noted that NDCS updated its tuition reimbursement policy on April 30, 2024, and among other minor changes, the main change removed language requiring repayment of tuition reimbursement payments upon termination if the employee left employment within one year of the course completion date. Per discussion with the NDCS Assistant Human Talent Director, this policy was updated to reflect practices, as NDCS had not actively been seeking repayment from terminated employees even though the previous policy provided for such repayments.

Further, in order to be eligible for reimbursement, employees were required to complete and sign an "Application for Tuition Assistance" prior to taking courses. Although removed from the NDCS policy after April 30, 2024, the following language continued to be found in applications:

*I herein certify understanding of the following:*

\* \* \* \*

*13. I will remain in the Department employment for a minimum of 12 months following the course completion date. If not, I understand I am required to repay reimbursed tuition assistance. Repayment is pro-rata on the amount of time remaining in the twelve (12) months from the course completion date. Failure to reimburse the Department may affect future employment with NDCS.*

The language above was included in the current tuition assistance application as of testing on March 3, 2025, over 10 months after the repayment provisions were removed from the policy. A blank version of the full application has been included as **Attachment A** herein.

Between July 1, 2022, and March 7, 2025, there were 24 NDCS employees who terminated employment within 12 months of receiving tuition reimbursement. These 24 employees received a total of \$87,502 in tuition reimbursements in their last 12 months of employment; however, NDCS did not collect repayment from any of them.

For 3 of these 24 employees, the APA verified that a copy of the signed application, including the repayment provision, was on file. An example of one such signed application is shown below:

<b>NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES</b>			
<b>APPLICATION FOR TUITION ASSISTANCE</b>			
When applying for Tuition Assistance, the employee will complete the information requested below down through the employee signature block. PLEASE PRINT.			
Name: [REDACTED]	School: [REDACTED]		
AB Employee Number: [REDACTED]	Course Title: 5570-002 Advanced Field Practicum		
NDCS Facility/Program/Section: [REDACTED]	Date Course Begins: 05/07/2024	Date Course Ends: 08/10/2024	
Current NDCS Position: [REDACTED]	Credit Hours: Semester: 6	Quarter: [REDACTED]	
Off Original Probation: YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>	Graduate: <input checked="" type="checkbox"/>	Undergraduate: <input type="checkbox"/>	Tuition Rate per Credit Hour 520
I herein certify understanding of the following:			
<div style="border: 1px solid red; padding: 5px;">13. I will remain in the Department employment for a minimum of 12 months following the <u>course completion date</u>. If not, I understand I am required to repay reimbursed tuition assistance. Repayment is pro-rata on the amount of time remaining in the twelve (12) months from the course completion date. Failure to reimburse the Department may affect future employment with NDCS.</div>			
14. If interested in receiving Annual In-Service training credit for completed college courses, see Section III, D.			
Signature: [REDACTED]	Date: 4-10-2024		
<input checked="" type="radio"/> Approved <input type="radio"/> Disapproved	[Signature: natalie [REDACTED].com] Warden/Program Administrator		4.10.24 Date
*Approval is subject to verification of eligible credit hours and qualifying classes.			
REIMBURSEMENT APPROVAL CALCULATIONS (HR use only):			
This application is for:	Tuition <input type="checkbox"/>	Books <input type="checkbox"/>	Max. Avail. for Fiscal Year

For 23 of these employees, employment was terminated between 6 and 269 days after receiving the final reimbursement. For one additional employee, employment was terminated six days prior to receiving the final reimbursement. While reimbursement and potential repayment is based on the course completion date, this date was not readily available within the State's accounting system, EnterpriseOne. However, NDCS policy and State law require that reimbursement requests be submitted within 60 days of the course completion date, meaning that these employees most likely all terminated within 12 months of the completion of the courses.

Based on the termination dates of these employees, the APA estimated the total repayment amount to be between \$53,661 (if all reimbursements were made 60 days after the course end date) and \$67,843 (if all reimbursements were made on the course end date).

#### *Overpayment of Tuition Reimbursement*

The NDCS tuition reimbursement policy states that employees may receive a maximum of \$10,000 per fiscal year in tuition reimbursements, based on the course start date. During our review, the APA noted that one NDCS employee was reimbursed a total of \$11,286 for courses beginning during the fiscal year ended June 30, 2023. As a result, this employee was overpaid by \$1,286, and no repayment was collected. NDCS was unaware of this overpayment until notified of it by the APA.

#### *Nebraska Department of Health and Human Services*

The DHHS tuition reimbursement policy states that "Employees who receive tuition assistance may be asked to reimburse the state if they leave their employment within one year of the course completion date." According to the DHHS Human Resources Divisional Director, it has not been a recent practice of DHHS to request repayment from terminated employees.

Between July 1, 2022, and March 7, 2025, there were 29 DHHS employees who terminated employment within one year of receiving tuition reimbursement. These 29 employees received a total of \$78,749 in tuition reimbursements in their last year of employment. We did note that DHHS had received \$4,465 in repayments between July 1, 2022, and July 23, 2024; however, no repayments had been received after July 23, 2024.

For these 29 employees, employment was terminated between 9 and 361 days after receiving the final reimbursement. While reimbursement and potential repayment is based on the course completion date, this date was not readily available within the State's accounting system. However, 25 of these 29 employees were terminated within nine months of receiving tuition reimbursement, meaning they most likely terminated within one year of the course completion date. State statute requires that employee expense reimbursement requests be submitted within 60 days of the course completion date.

Had DHHS requested repayment on a pro-rated basis, the APA estimates the total repayment amount would be between \$37,081 (if all reimbursements were made 60 days after the course end date) and \$49,002 (if all reimbursements were made on the course end date), based on the termination date of these employees.

The DHHS Chief Financial Officer informed the APA that DHHS had previously used a collection agency to attempt to collect repayment for such reimbursements; however, very little was actually collected because DHHS is prohibited from using a contingency fee-based collection agent. The DHHS Chief Financial Officer explained further that, if DHHS performed its own collection work, such work would be assigned to an accountant, with a total salary and benefits of roughly \$51,779 per year. While this employee would not work on collections full-time, DHHS does not believe that this would be a cost-effective solution.

The APA questions this conclusion, as we believe a review of benefit payments, such as tuition reimbursements, could be added to the agency's regular employment offboarding process conducted by the Human Resources division. If a repayment is determined to be required, DHHS could withhold that amount from the final paycheck or final payout of leave balances.

#### *Nebraska Department of Transportation*

The NDOT tuition reimbursement policy states that "[a]ny employee, whose tuition assistance (all or part) has been paid, who leaves employment within one (1) year of reimbursement, may be asked to reimburse the state on a pro-rated basis."

Between July 1, 2022, and March 7, 2025, there were three NDOT employees who terminated employment within one year of receiving tuition reimbursement. These three employees received a total of \$8,357 in tuition reimbursements in their last year of employment.

The APA noted that only one of these three employees repaid NDOT for tuition reimbursements. For the two employees who did not repay NDOT, one was terminated 311 days from the final reimbursement payment and had an estimated repayment amount of \$142. The other employee was terminated 154 days after the final reimbursement payment and had an estimated repayment amount between \$432 and \$604, depending on the course completion date, as NDOT policy requires all reimbursement requests to be submitted within 45 days of the course completion date.

### ***Nebraska Supreme Court***

The Nebraska Supreme Court (Supreme Court) tuition reimbursement policy states that “[e]mployees who receive tuition reimbursement for either themselves or a dependent may be required to reimburse the Judicial Branch if they leave their employment within 1 year of the course completion date.” Per discussion with the Director of the Supreme Court Finance Division, the Supreme Court actively seeks repayment from terminated individuals, unless the courses or exams are required by a judge as a condition of continued employment.

Between July 1, 2022, and March 7, 2025, there were 16 Supreme Court employees who terminated employment within one year of receiving tuition reimbursement. These 16 employees received a total of \$31,933 in tuition reimbursements in their last year of employment.

The APA selected nine of these employees for testing and noted that the Supreme Court missed that repayment was necessary for two of them. These employees received a total of \$4,840 in tuition reimbursements in their final year of employment, which was terminated between 86 and 185 days after their final reimbursement was received. The Supreme Court typically requires full repayment, so the estimated repayment amount is \$4,840.

Good internal controls and sound business practices require policies and procedures to limit employees taking advantage of tuition reimbursement benefits and terminating soon after receiving those benefits. If such termination occurs, those policies, procedures, and tuition reimbursement agreements with the employees should include a provision to require repayment from the employee. Procedures could include reviewing for tuition reimbursement or benefit repayment as part of the agency’s regular offboarding process, and if a tuition reimbursement or benefit were identified that should be repaid, that amount could then be withheld from the employee’s final payroll or final leave payout. Further, good internal controls also require procedures to ensure that employees are not reimbursed for more than allowed by agency policies.

Without such procedures, there is an increased risk for not only loss or misuse of public funds but also abuse of tuition reimbursement programs.

We recommend the above agencies review their current policies and procedures governing tuition reimbursements and benefits, and either strengthen their procedures, or implement procedures, to prevent employees from abusing tuition reimbursement benefits by terminating soon after receiving them. Those policies, procedures, and tuition reimbursement agreements with the employees should include a provision requiring repayment from the employee if such termination occurs. Procedures could include reviewing for tuition reimbursement or benefit repayment as part of the agency’s regular offboarding process. If a tuition reimbursement or benefit is identified that should be repaid, that amount could then be withheld from the employee’s final payroll or final leave payout. We further recommend that agencies implement or strengthen procedures to ensure that employees are not reimbursed for more than allowed by departmental policies.

***NDCS Response:*** *NDCS will update its policy to include language requiring repayment of tuition reimbursement payments upon termination if the employee left employment within one year of the course completion date. The policy change shall also include if an employee fails to do so, the information will be maintained in the employee’s personnel file. NDCS Human Resources shall also include this review in the off-boarding process and shall mail the notice in writing to the applicable employee.*

*Further, NDCS Human Resources strives to be as accurate as possible and shall review policies and procedures with the applicable team members.*

***DHHS Response:*** *DHHS will investigate options further and determine feasibility.*

**NDOT Response:** NDOT's Tuition Reimbursement Policy includes a repayment provision for employees who separate within one year of receiving reimbursement. NDOT has implemented a process to review tuition reimbursement history as part of the offboarding checklist, ensuring potential repayment obligations are identified and addressed in a timely manner. Internal tracking methods and supervisor guidance have been updated to support consistent application of the policy going forward.

**Supreme Court Response:** Tuition reimbursement was suspended by the Supreme Court effective July 1, 2024.

#### **4. Bonus Overpayments and Repayment Policies and Procedures**

As part of our detailed analysis, the APA ran reports and queries from the State accounting system, EnterpriseOne, for multiple disbursement account codes, including bonus payments to employees. Specifically for bonuses, we ran a report for all bonus account codes for the period July 1, 2023, through March 6, 2025, and judgmentally selected employees that received significant amounts over the last year or two as well as payments that were close to or after the employee's termination date. Our testing revealed not only multiple bonus overpayments but also a lack of or inadequate repayment policies and procedures. The table below summarizes the bonus overpayments by agency for the period noted above:

Agency Number	Agency Name	Bonus Type	Known or Possible Overpayment	Overpayment Amount
5	Nebraska Supreme Court (Supreme Court)	Hire/Sign-On	Known Overpayment	\$ 1,500
25	Nebraska Department of Health and Human Services (DHHS)	Retention	Known Overpayment	2,500
25	Nebraska Department of Health and Human Services (DHHS)	Retention	Possible Overpayment	2,500
27	Nebraska Department of Transportation (NDOT)	Hire/Sign-On	Known Overpayment	5,000
28	Nebraska Department of Veterans' Affairs (NDVA)	Recruitment	Possible Overpayment	5,500
<b>Total Known &amp; Possible Overpayments</b>				<b>\$ 17,000</b>

The following was noted while testing these bonus payments for each of the agencies.

##### ***Nebraska Supreme Court – Overpayment***

From October 2021 through June 30, 2024, the Supreme Court had a hiring bonus, which originally provided new hires with a total of \$1,500 paid in two equal installments of \$750 with the first payment paid soon after the hire date, and the second payment being made soon after the one-year hire date anniversary. Effective February 1, 2022, the total bonus amount was increased to \$3,000 with the same payment structure of equal \$1,500 installments. While the employee was required to remain employed for one year from their hire date to receive the full amount, no repayment policy was implemented.

The Supreme Court hired an individual in October 2023 who qualified for the \$3,000 bonus. In November 2023, that new employee received his first half payment of \$1,500; however, he received \$3,000 in his October 31, 2024, paycheck rather than the second installment amount of \$1,500, resulting in an overpayment of \$1,500. At the time of testing in March 2025, the Supreme Court was unaware of this overpayment; however, on March 20, 2025, the Supreme Court Director of Human Resources stated that the process of recouping the overpayment from the employee had begun. The following table summarizes the employee's bonus payments:

Month/Year	Description	Bonus Type	Bonus Payment
11/2023	Sign-on Bonus #1	Sign-On	\$ 1,500
10/2024	Sign-on Bonus #2	Sign-On	1,500
10/2024	Sign-on Bonus #3 - Overpayment	Sign-On	1,500
<b>Total Bonuses Paid</b>			<b>\$ 4,500</b>
<b>Total Known Overpayment</b>			<b>\$ 1,500</b>

##### ***Nebraska Department of Health and Human Services (DHHS) – Known and Possible Overpayments***

On July 30, 2021, the Department of Administrative Services approved the State of Nebraska Pilot Recruitment and Retention Program (DHHS Program) for the Nebraska Department of Health and Human Services. On August 8, 2022, an extension to the DHHS Program was approved. Per the DHHS Program document, the DHHS Program had an end date of July 30, 2022, but was extended to June 30, 2023. No other extension was noted.



During our testing of the bonuses paid in accordance with this DHHS Program, we noted that DHHS may have made overpayments to one employee, totaling \$5,000, as described below.

On May 31, 2022, DHHS hired a Registered Nurse who was eligible for a \$5,000 sign-on bonus, which was properly paid to the employee. However, DHHS also inadvertently paid a retention bonus, totaling \$2,500, to the employee in October 2022. Further, due to unclear DHHS Program language, DHHS paid another retention bonus of \$2,500 when the employee may not have been eligible for a retention bonus. The following table summarizes the employee's bonus payments and other significant dates:

Date or Month/Year	Description	Bonus Type	Bonus Payment
5/31/2022	Hired as a Registered Nurse		
5/31/2022	Eligible for Sign-On Bonus of \$5,000		
9/2022	Sign-on Bonus #1	Sign-On	\$ 1,250
10/2022	Retention Bonus #1 – Overpayment	Retention	2,500
7/2023	Sign-on Bonus #2 (November 2022 Make-up Payment)	Sign-On	1,250
7/2023	Sign-on Bonus #3 (February 2023 Make-up Payment)	Sign-On	1,250
7/2023	Sign-on Bonus #4 (May 2023 Make-up Payment)	Sign-On	1,250
7/2023	Retention Bonus #2 – Possible Overpayment	Retention	2,500
11/2023	Referral Bonus	Referral	1,000
6/2/2024	Employment Terminated		
Total Bonuses Paid			\$ 11,000
Total Known & Possible Overpayment			\$ 5,000

Further inquiry was made with DHHS regarding the above bonus payments. On April 29, 2025, the Director of Human Resources acknowledged that the overpayment was an error, but no repayment was pursued. Specifically, the following was stated regarding this overpayment:

*It was later determined this Award was made in error. After consultation with our legal team, DHHS did not seek repayment for this payment issued in error.*

Additionally, the following was stated regarding the second retention bonus payment made in July 2023:

*DHHS HR determined for cases where a Teammate's Sign-On Bonus from the Original Program carried over into the Extended Program that Persons could accrue any **\*remaining\*** Extended Program Retention Bonuses after attaining all Sign-On Bonuses for the Original Program; in this case, [DHHS Employee] achieved her 4th Original Program Sign-On Bonus around May, 2023 – at that point, Extended Program Retention Bonus #4 (7/12/2023) were still attainable and [DHHS Employee] were [sic] eligible.*

The APA questions this analysis and payment, as both the original and extended versions of the DHHS Program document state, “No teammate can be eligible or receive the sign-on bonus and the retention bonus at the same time.”

Further, per the DHHS Director of Human Resources, the agency became aware of the October 2022 overpayment on July 11, 2023. The work date entered into the State accounting system for the second retention bonus was July 10, 2023, which is a day before DHHS became aware of the error. However, this \$2,500 bonus was paid as part of the July 26, 2023, paycheck, which had a pay period ending on July 16, 2023. Per the DAS payroll schedule for calendar year 2023, DHHS had until July 20, 2023, or seven business days after the bonus payment date in the system, to adjust payroll (or notify DAS) to remove this second bonus payment because the employee had already received \$2,500 in error back in October 2022.

#### **Nebraska Department of Transportation – Known Overpayments**

On July 30, 2021, the Department of Administrative Services approved the State of Nebraska Pilot Recruitment and Retention Program (Mechanic Bonus Program) for NDOT. Per the Mechanic Bonus Program document, the Mechanic Bonus Program had an end date of July 30, 2022, but was extended to June 30, 2023. No other extension was noted. Also, only specifically designated job codes for full-time and part-time employees were eligible to participate in the Mechanic Bonus Program. Further, no repayment provisions were noted in the relevant documentation; however, the following was stated:

*Teammates shall not be eligible for partial or pro-rate payments should they leave employment at any point during this pilot program or during the course of receiving bonus payments.*



During our testing of the bonuses paid under the Mechanic Bonus Program, we noted that NDOT made two overpayments to employees, totaling \$5,000, as described below.

A full-time Automotive/Diesel Mechanic was hired in August 2020 and was eligible for the retention bonuses available through the Mechanic Bonus Program. Due to a job change during his employment, however, NDOT mistakenly paid him recruitment bonuses (referred to as “Sign-On” bonuses in the relevant documentation) totaling \$4,000. Employment for this employee was terminated on January 24, 2025. The following table summarizes the employee’s bonus payments and other significant dates:

Date or Month/Year	Description	Bonus Type	Bonus Payment
8/17/2020	Hired as Automotive/Diesel Mechanic		
7/2021	Eligible for Retention Bonus of \$5,000		
9/2021	Retention Bonus #1	Retention	\$ 1,250
12/2021	Retention Bonus #2	Retention	1,250
3/2022	Retention Bonus #3	Retention	1,250
6/2022	Retention Bonus #4	Retention	1,250
8/1/2022	Retention Bonus Extended		
9/2022	Retention Bonus #5	Retention	1,250
1/2023	Retention Bonus #6	Retention	1,250
2/13/2023	Promoted to Hwy Maintenance Supervisor		
6/5/2023	Demoted/Moved back to Automotive/Diesel Mechanic		
7/2023	Retention Bonus #7	Retention	1,250
10/2023	Sign-on Bonus #1 – Overpayment	Sign-On	1,000
12/2023	Sign-on Bonus #2 – Overpayment	Sign-On	1,000
3/2024	Sign-on Bonus #3 – Overpayment	Sign-On	1,000
6/2024	Sign-on Bonus #4 – Overpayment	Sign-On	1,000
1/24/2025	Employment Terminated		
<b>Total Bonuses Paid</b>			<b>\$ 12,750</b>
<b>Total Known Overpayment</b>			<b>\$ 4,000</b>

Further, a Highway Maintenance Worker – Senior was promoted to an Automotive/Diesel Mechanic in May 2023 and was eligible for the \$4,000 sign-on bonus; however, this employee received an additional \$1,000 in a fifth quarterly payment. The following table summarizes the employee’s bonus payments:

Month/Year	Description	Bonus Type	Bonus Payment
10/2023	Sign-on Bonus #1	Sign-On	\$ 1,000
11/2023	Sign-on Bonus #2	Sign-On	1,000
2/2024	Sign-on Bonus #3	Sign-On	1,000
2/2024	Sign-on Bonus #4	Sign-On	1,000
5/2024	Sign-on Bonus #5 – Overpayment	Sign-On	1,000
<b>Total Bonuses Paid</b>			<b>\$ 5,000</b>
<b>Total Known Overpayment</b>			<b>\$ 1,000</b>

#### ***Nebraska Department of Veterans’ Affairs (NDVA) – Possible Overpayments***

On July 30, 2021, the Department of Administrative Services approved the State of Nebraska Pilot Recruitment and Retention Program (NDVA Program) for the Nebraska Department of Veterans’ Affairs. On August 8, 2022, an extension to the NDVA Program was approved. Per the NDVA Program document, the NDVA Program had an end date of July 30, 2022, but was extended to June 30, 2023. No other extension was noted.

During our testing of the bonuses paid in accordance with this NDVA Program, we noted that the NDVA may have made overpayments to three employees, totaling \$5,500, as described below.

Per the NDVA Program document, the NDVA Program was available only to the listed job codes for full-time and part-time employees. Although no repayment provisions were noted, the following was stated:

*Teammates shall not be eligible for partial or pro-rated payments should they leave employment at any point during this pilot program or during the course of receiving bonus payments.*

Further, the NDVA Program document states the following, in relevant part:

*Part-time teammates will receive bonuses at one-half (1/2) the amount of full-time teammates. If a teammate's FTE [full-time equivalent] is adjusted from part-time to full-time or from full-time to part-time the agency shall notify their appropriate payroll personnel immediately; the bonus payments for that particular quarter shall be pro-rated according to the number of pay periods at full versus part-time for the quarter in question.*

Based on the above wording, the only time a bonus may be pro-rated is when the employee's FTE is adjusted during the bonus period; furthermore, part-time employees are eligible for one-half the amount received by full-time teammates. For example, if two part-time employees have FTEs of 50% and 90%, respectively, both would receive one-half of the full-time bonus amount.

We noted three NDVA employees who received bonuses at the full-time amount even though they were designated as part-time, and each had an FTE of 0.9 (or 90%) in Workday, the State's Human Resources System, when eligible for the bonuses and at the time of employment termination. The table below summarizes the bonus payments received for the above period and the amounts apparently overpaid:

Employee	Retention Bonuses Paid	Eligible Bonus Amount	Possible Overpayment
NDVA Employee 1	\$ 2,500	\$ 1,250	\$ 1,250
NDVA Employee 2	5,000	2,500	2,500
NDVA Employee 3	4,250	2,500	1,750
<b>Totals</b>	<b>\$ 11,750</b>	<b>\$ 6,250</b>	<b>\$ 5,500</b>

For the third employee shown in the table above, an error was made on the last payment, resulting in the employee receiving \$500 for the quarter rather than the planned payment of \$1,250.

We asked NDVA why these employees received the full-time amount rather than one-half the amount of full-time employees. On April 16, 2025, the NDVA Human Resources Director stated, "It appears we processed the FTE inaccurately. . . . We went off position time type rather than FTE for everyone." It should be noted that the job code for these employees was set to a full-time restriction; however, the agency can set the time type by employee when employees are hired. Per their employment records, all of these employees were part-time and had FTEs of 0.9 (or 90%) at the time of hire/promotion and termination. After further review of actual time worked from the employees' hire or promotion dates to their termination dates, these employees were working just under full-time hours and had a few hours of leave without pay recorded in the State accounting system, EnterpriseOne. Therefore, we question whether these bonuses were in accordance with the NDVA Program requirements and should have been instead one-half of the full-time amount.

Good internal controls and sound business practices require procedures to ensure the following: 1) governing policies are clear, and any clarification is documented; 2) payments are made in accordance with such policies; and 3) any erroneous payments are recouped in a timely manner.

Without such procedures, there is an increased risk for fraud or misuse of State funds.

We recommend each agency noted above strengthen its existing procedures or, if necessary, implement procedures to ensure the following: 1) governing policies are clear, and any clarification is documented; 2) payments are made in accordance with such policies; and 3) any erroneous payments are recouped in a timely manner.

#### ***Nebraska Department of Veterans' Affairs (NDVA) – Possible Incorrect Leave Accruals***

As mentioned above, the three NDVA employees at issue had an FTE of 0.9 (or 90%), so their vacation and sick leave accruals for each pay period were accrued at 90% rather than 100% (FTE 1.0). If these individuals were, in fact, set up incorrectly at a FTE of 0.9 rather than 1.0, their leave accruals have been understated. For example, the starting vacation accrual for a regular, full-time rules and regulations employee is 8 hours each month. At 90%, this would accrue at 7.2 hours each month.

Good internal controls require procedures to ensure that employees are set up correctly in the State's accounting and human resources systems so that payroll, including leave accruals, will be calculated correctly.

Without such procedures, there is an increased risk for fraud or misuse of State funds.

We recommend the NDVA strengthen its employee onboarding procedures to ensure payroll, including leave accruals, are calculated correctly.

### ***Repayment Policies and Procedures***

Further, for the Supreme Court, the NDVA, and DHHS, we noted that multiple employees had terminated soon after their final bonus payment or within one year of their hire date. However, no repayment was required due to the language of the bonus programs not containing any repayment provisions, such as requiring repayment for employees who leave employment soon after their final payment (e.g., 6 months, 12 months, or some other timeframe), or considered restructuring the payments.

The following table summarizes these employees and the amounts of bonuses paid as well as the number of days between their termination dates compared to their start/promotion dates and work dates of the bonuses:

<b>Employee</b>	<b>Total Bonuses Paid</b>	<b>E1 Work Date for Last Bonus Paid</b>	<b>Hire or Promotion Date</b>	<b>Termination Date</b>	<b>Difference Between Termination and Hire Date</b>	<b>Difference Between Termination and Work Date</b>
NDVA Employee 1*	\$ 2,500	12/3/2023	5/30/2023	12/12/2023	196	9
NDVA Employee 2*	5,000	2/12/2024	2/21/2023	2/25/2024	369	13
NDVA Employee 4	1,500	1/14/2024	4/3/2023	3/5/2024	337	51
<b>NDVA Total</b>	<b>\$ 9,000</b>					
Supreme Court Employee 1	\$ 3,000	5/14/2024	4/17/2023	4/19/2024	368	-25
Supreme Court Employee 5	1,500	8/20/2024	8/1/2023	7/31/2024	365	-20
Supreme Court Employee 2	3,000	7/30/2024	7/17/2023	7/19/2024	368	-11
Supreme Court Employee 3	3,000	9/30/2024	10/23/2023	11/14/2024	388	45
Supreme Court Employee 4	3,000	9/30/2024	10/16/2023	1/17/2025	459	109
<b>Supreme Court Total</b>	<b>\$ 13,500</b>					
DHHS Employee 1	\$ 5,000	6/18/2024	6/26/2023	9/6/2024	438	80
DHHS Employee 2	5,000	6/25/2024	6/20/2023	10/4/2024	472	101
<b>DHHS Total</b>	<b>\$ 10,000</b>					
<b>Grand Total</b>	<b>\$ 32,500</b>					

\*Employee was included in the table in the "Nebraska Department of Veterans' Affairs (NDVA) – Possible Overpayments" section above.

As illustrated in the table above, multiple employees terminated just one year after their hire/promotion date and received the full bonus. Further, multiple employees terminated soon after they received their last bonus payment, and three had their last bonus payment paid after their termination date.

Repayment provisions would allow the State recourse if significant bonuses or benefits were paid to employees who terminated employment within a certain period of being hired or receiving those benefits. Good internal controls and sound business practices require policies and procedures to prevent employees from taking improper advantage of bonuses or benefits by terminating employment soon after receiving them. If such termination occurs, those policies, procedures, and agreements with the employees should include a provision to require repayment from the employee. Procedures could include reviewing for bonus or benefit repayment as part of the agency's regular offboarding process, and if a bonus or benefit is identified that should be repaid, that amount could then be withheld from the employee's final payroll or final leave payout.

Without such procedures, there is an increased risk for fraud or employees taking improper advantage of bonuses and benefits by terminating soon after receiving them.

We recommend the agencies noted above review their current policies and procedures governing bonuses and benefits, and either strengthen their existing procedures or, if necessary, implement procedures, to prevent employees from taking improper advantage of bonuses and benefits by terminating soon after receiving them. If such termination occurs, those policies, procedures, and agreements with the employees should include a provision to require repayment from the employee. Such procedures could include, as part of the regular offboarding process, reviewing for bonuses or benefits that should be repaid and withholding that amount from the employee's final payroll or final leave payout.

**Supreme Court Response:** *The Supreme Court hiring bonus program ended for anyone hired on or after July 1, 2024.*

**NDOT Response:** *The identified bonus overpayments were the result of multiple job changes by the individuals involved, which impacted eligibility under the applicable bonus programs. NDOT has reviewed and strengthened its internal review procedures to ensure bonus payments are accurately aligned with program terms and employee status. Additional validation steps are now in place to confirm eligibility before payments are processed, particularly in cases involving position changes or reclassifications.*

## 5. Mileage Reimbursements and Vehicle Cost Analyses

The APA performed testing of significant expense reimbursements made to current State employees. The following table lists the agency and job title of the 15 employees who received the largest amount of expense reimbursements between July 1, 2024, and February 26, 2025:

Agency	Job Title	Total Amount of Reimbursements
Nebraska Brand Committee	Brand Inspector	\$ 20,278
Nebraska Secretary of State	Secretary Of State	18,213
Nebraska Legislative Council	State Senator	17,973
Nebraska Tax Equalization & Review Commission	Tax Equalization & Review Commissioner	17,695
Nebraska Tax Equalization & Review Commission	Tax Equalization & Review Commissioner	17,498
Nebraska Investment Council	Director	15,652
Nebraska Brand Committee	Brand Inspector	15,626
Nebraska Public Service Commission	Commissioner	14,902
Nebraska Brand Committee	Brand Inspector	14,044
Nebraska Legislative Council	State Senator	13,869
Nebraska Attorney General	Investigator	13,669
Nebraska Brand Committee	Brand Inspector	13,450
Nebraska Department of Correctional Services	Behavioral Health Practitioner Supervisor II	13,105
Nebraska Brand Committee	Brand Inspector	12,745
Nebraska Brand Committee	Intermittent Brand Inspector	12,160
<b>Total</b>		<b>\$ 230,879</b>

**Note:** *For the rows highlighted above, the APA noted issues or concerns as described below.*

We selected 11 of these individuals for additional testing and noted the following for 9 of them.

### ***Nebraska Brand Committee***

Nebraska Brand Committee (Brand Committee) employees made up 6 of the top 15 employees who received the most expense reimbursements, receiving a total of \$88,303 over an eight-month span. Additionally, one of those employees works only part time. Most of these reimbursements were for personal vehicle mileage.

Since July 1, 2020, the Brand Committee has paid a total of \$2,929,369 in personal vehicle mileage reimbursements. The only State agencies that paid more in such reimbursements during the same time period were the University of Nebraska and the Nebraska Supreme Court. The following table details the five State agencies that have paid the most for personal vehicle mileage between July 1, 2020, and February 26, 2025:

Agency	Total Mileage Reimbursements
University of Nebraska	\$ 3,879,734
Nebraska Supreme Court	3,324,544
Nebraska Brand Committee	2,929,369
Nebraska Department of Health and Human Services	2,279,219
Nebraska Department of Education	813,615

On an individual basis, there were six Brand Inspectors paid over \$60,000 each between July 1, 2020, and February 26, 2025. **As of February 2025, one Brand Inspector has been reimbursed \$92,789 for personal vehicle mileage over the three and a half years since being hired by the Brand Committee in August 2021, averaging approximately \$26,511 annually during that time.**

#### *Vehicle Cost Analysis*

Given the amount of personal vehicle mileage paid, the APA asked if the Brand Committee had performed a cost analysis to determine if purchasing or leasing a State-owned vehicle would be more cost effective. On March 7, 2025, the Brand Committee Business Operations Manager replied that mileage analyses had been performed in the past; however, none of these had compared the cost of mileage reimbursements to the purchase or lease of a vehicle. Later that day, the Brand Committee Business Operations Manager provided a cost analysis that had been prepared in response to the APA's inquiry. That analysis, which concluded that purchasing or leasing vehicles would increase costs, has been included as **Attachment B** herein.

For the following reasons, the APA questions the adequacy of the Brand Committee's cost analysis:

- The focus of the cost analysis is on purchasing a vehicle for each of the 67 brand inspectors employed by the Brand Committee – as opposed to the cost of providing vehicles to only those individuals who drive the most miles. The APA agrees that it would likely be more expensive to purchase a vehicle for each inspector. Nevertheless, the Brand Committee did not consider at what point it would prove more cost efficient to purchase or lease vehicles for specific inspectors.

While the Brand Committee may pay a monthly average of \$817 per inspector, the Brand Inspector with the highest expense reimbursements was paid an average of \$2,522 in personal vehicle mileage per month during fiscal year 2025 (average as of February 2025). If all other figures used in this cost analysis are assumed correct, with a total expense of \$1,107 per month for each inspector, the Brand Committee would reduce the expenses associated with this one Brand Inspector by more than half of the current monthly mileage reimbursements.

- Further, the APA received a listing of monthly vehicle lease rates from the Nebraska Department of Administrative Services Transportation Services Bureau (TSB). Charges to lease a vehicle from TSB include a monthly lease fee and a mileage rate per mile traveled. The following table lists the fiscal year 2025 estimated monthly lease fee and mileage rates for several different options of model year 2025 pickup trucks:

Vehicle Type	Monthly Rate	Mileage Rate
1/2 Ton Pickup	\$ 289	\$ 0.38
1/2 Ton 4x4 Pickup	318	0.39
1/2 Ton 4x4 Pickup, Ex Cab	330	0.39
1/2 Ton 4x4 Pickup Crew Cab	341	0.39
3/4 Ton Pickup	341	0.41
3/4 Ton 4x4 Pickup	365	0.41

The brand inspector with the highest expense reimbursements averaged roughly 3,500 miles per month for the months tested. At this rate, the most expensive truck listed above would result in a monthly cost to the Brand Committee of \$1,800, which is still a significant monthly savings compared to the \$2,522 paid to this employee for mileage each month. The only additional costs that the Brand Committee would incur by leasing a vehicle is for fuel, which the Brand Committee estimated at only \$177 per month for each inspector.

Based on this information, it appears that purchasing or leasing vehicles for brand inspectors who travel the most each month would result in significant cost savings for the Brand Committee.

Good internal controls and sound business practices require procedures to ensure that vehicle cost analyses are completed accurately and on an individual basis. Those procedures should include comparing all options, such as purchasing, leasing, or paying mileage, to determine the estimated monthly cost of each.

Without such procedures, there is an increased risk for loss or waste of public funds due to unreasonable mileage reimbursement costs.

We recommend that Brand Committee perform a vehicle cost analysis on an individual basis for each brand inspector to determine if purchasing or leasing a vehicle would result in significant cost savings for the agency. Such cost analysis should compare all scenarios, including the expense of purchasing, leasing, or paying mileage, to determine the option that would result in the lowest monthly cost to the Brand Committee.

***Brand Committee Response:*** *The Nebraska Brand Committee will examine these costs and explore the feasibility of establishing a point at which a purchase or lease of a vehicle is more efficient than mileage reimbursement.*

#### *Mileage Reimbursement Issues*

The APA reviewed the mileage reimbursement requests for the six Brand Committee employees listed in the above table for December 2024 and January 2025. Additionally, for the one brand inspector who was paid the highest mileage, the APA performed detailed testing of the mileage reimbursements for 10 working days in December 2024. This included comparing the GPS coordinates of where inspections were started and submitted to the mileage reported on the expense reimbursement form. During this review, the following issues were noted:

- For all mileage reimbursement requests observed, the employee signatures and dates were not updated on each request; rather, the signatures and dates were the same on all reimbursement request forms reviewed. The dates range from January 23, 2020, to September 11, 2023. The signatures appear to be images pasted on each reimbursement request. Per discussion with the Brand Committee Business Operations Manager, the signatures are captured in the mobile application used by inspectors and pasted on the expense forms. The Brand Committee Business Operations Manager had not noticed that dates were not being updated.
- The inspection reports used by the Brand Committee do not include specific details of the inspection, such as time of day or specific location. They include only the date, producer's name and address (which may be out of state), and the name of the inspection point or corral where the inspection was conducted. The APA attempted to use these reports to verify inspections and mileage reported on the mileage reimbursement requests; however, this could not be completed due to the limited information included on the reports.
- For one trip taken by the inspector tested, the mileage accumulated was correct; however, the address listed on the reimbursement form was incorrect. The Brand Committee was unable to determine why the address was recorded incorrectly, as the inspector had no association with the address listed.
- For another trip taken by the inspector tested, the mileage recorded and paid was 83 miles; however, the APA recalculated this mileage as 61 miles. Per discussion with the Brand Committee, the inspector had recorded 61 miles in the separate mileage log that she keeps in her vehicle and was unsure how 83 miles had been entered on the reimbursement request. This resulted in an overpayment for 22 miles, or \$15.

Good internal controls require procedures to ensure that accurate and adequate documentation is maintained for all mileage reimbursement requests, including specific addresses, times of day, and correct mileage calculations. Those procedures should also require employees to sign and date expense reimbursement requests each time they are submitted.

Without such procedures, there is an increased risk for loss or misuse of public funds.



We recommend the Brand Committee implement procedures to ensure that accurate and adequate documentation is maintained for all mileage reimbursement requests, including specific addresses, times of day, and correct mileage calculations. We further recommend such procedures require employees to sign and date expense reimbursement requests each time they are submitted.

***Brand Committee Response:*** NBC is responding by each point used to create the APA comment.

*Point 1: Signatures and Dates.* The Nebraska Brand Committee will take steps to educate staff filling out expense forms and staff reviewing expense forms to make sure dates are correct. The Committee however believes the use of signatures captured in the mobile application used by inspectors and pasted on the expense forms is appropriate given the automated nature of the form, the agency's operations, and the use of such signatures by agencies across many industries.

*Point 2: Inspection Documents as Proof of Mileage.* Inspection documents are not records of travel but rather of cattle ownership. The brand paper, as noted in statute, proves the inspection occurred and is the ownership record for the cattle inspected. Further, listing a specific address is often impossible as the location of many inspections lack an actual address as they occur in pastures, etc. At best the inspector could list the physical address of the ranch, but some inspection sites are not contiguous with the ranch and even if they are, they may be miles away from the ranch address, thus complicating the location issue. Further, it is likely any resolution would be subject to technological and connectivity limitations currently experienced and add unneeded and inefficient complexity to the inspection process.

*Point 3: Incorrect Address.* The Nebraska Brand Committee acknowledges an error occurred and will educate staff on the importance of reviewing the accuracy of such items on expense reports.

*Point 4: Mileage Error.* The Nebraska Brand Committee acknowledges an error occurred and will recover \$15 from the inspector.

**APA Response:** The Brand Committee is responsible for determining how to ensure that accurate and adequate documentation is maintained for all mileage reimbursements. Therefore, we are not specifically recommending the inspection reports are used to fully support mileage reimbursements. However, we do recommend the Brand Committee review its current policies and procedures to ensure adequate documentation is maintained to support specific address, times of day, and miles traveled on mileage reimbursements.

#### ***Nebraska Attorney General***

The Nebraska Attorney General (AG) employs an investigator who received over \$13,000 in expense reimbursements from July 1, 2024, through February 26, 2025, with the majority of this being for personal vehicle mileage. The APA selected two reimbursements for detailed testing and did not note any issues; however, due to the amount of mileage paid, the APA asked if a cost analysis had been performed to determine whether purchasing or leasing a State-owned vehicle for this investigator would result in cost savings.

Per the AG Director of Operations, a cost analysis had not been performed. After inquiry by the APA, however, the AG contacted TSB regarding potentially assigning a leased vehicle to this investigator, noting that it did appear to be more cost-effective than paying mileage reimbursements.

Good internal controls and sound business practices require procedures to ensure that cost analyses are completed for each employee who receives a significant amount of mileage reimbursements to determine if a more cost-efficient solution might be available.

Without such procedures, there is an increased risk for loss or waste of public funds due to unreasonable mileage reimbursement costs.

We recommend the AG implement procedures to ensure that vehicle cost analyses are completed for each employee who receives a significant amount of mileage reimbursements to determine if a more cost-efficient solution might be available.

***AG Response:** The hires of two Investigators housed in Western Nebraska are new to our office. At the time, there was no way to know what the impact would be for mileage as we never know where the cases are going to actually be – In the long run, it still saves us mileage as we do not need to send investigators from our home office in Lincoln and we often need to travel to the most western part of the state. There was just no way of knowing how many miles the new investigators would travel and providing cars without any sense of that seems unreasonable. Once we discussed the mileage, we reached out TSB. TSB said that there are no leased cars available to be assigned but that we would be put on a waiting list for two leased cars.*

#### **Nebraska Tax Equalization and Review Commission**

During our review, we noted that two of the four commissioners for the Nebraska Tax Equalization and Review Commission (TERC) received over \$17,000 each for expense reimbursements. For each of these commissioners, over \$14,900 of the total reimbursement was for personal vehicle mileage. Neb. Rev. Stat. § 77-5004 (Cum. Supp. 2024) authorizes mileage reimbursements for TERC Commissioners; however, the purchase or lease of a State-owned vehicle may result in a cost savings to the TERC.

Good internal controls require procedures to ensure that expenses are monitored to determine if more cost-effective solutions might be available. Such procedures include working with the Nebraska Legislature to determine if State statutes allow for such solutions to reduce spending.

Without such procedures, there is an increased risk of unnecessary payments being made by the State.

We recommend the TERC determine if purchasing or leasing a State-owned vehicle, if allowable, would result in reduced costs for the Agency. Such procedures include working with the Nebraska Legislature to determine if State statutes allow for such solutions to reduce spending.

## **6. Employee Moving Expenses**

Between July 1, 2020, and March 6, 2025, the Nebraska Department of Transportation (NDOT) paid a total of \$316,504 in moving expense reimbursements for current and terminated employees. During testing of these reimbursements, we noted the following:

- One current employee was reimbursed a total of \$10,709 for moving expenses; however, NDOT policy limits employees to a total reimbursement of \$10,000. NDOT was unaware of this \$709 overpayment until after notification by the APA, and no repayment had been collected as of April 18, 2025.
- We selected a total of 20 employees who terminated within one year of being hired/reassigned and received reimbursement for moving expenses. Of these 20 employees, 17 have not repaid NDOT for the reimbursements, as required by NDOT policy. NDOT was unable to provide documentation to show that repayment was requested from these employees, or other collection actions were taken. **As repayment is based on a prorated amount, the APA has estimated that the repayment amount for these employees totals \$13,828.**
- Per NDOT policy, employees can be reimbursed for meals for themselves and their spouses for a maximum of two house-searching trips. While the policy limits meals to the employee and spouse, NDOT did not question if multiple meals were purchased because individuals have differing eating habits. As a result, one moving expense reimbursement included the purchase of four combo meals for lunch and four meals and two desserts for dinner during the first house-searching trip, and the purchase of four meals and an appetizer for dinner during the second house-searching trip. Based on the types of meals purchased, it appears that the reimbursements may have included meals for the employee's children, which is not allowed per NDOT policy.

NDOT Human Resources Policies and Procedures No. 3.8, “Relocation Moving Expense Reimbursement” (February 2022), states the following, in relevant part:

C. *New teammates* maybe reimbursed up to \$5,000 for approved moving expenses.

D. *Transferring* teammates maybe reimbursed up to \$10,000 for approved moving expenses.

\* \* \* \*

F. *Expenses qualifying for reimbursement*

\* \* \* \*

3. *Pre-move House Hunting Trips*

*Pre-approved transportation costs (mileage, lodging, and meal expenses) will be reimbursed for the employee and spouse for a maximum of two (2) house-hunting trips.*

\* \* \* \*

H. *Repayment Provision*

*In the event the Teammate elects to resign due to circumstances within his/her control or is terminated for cause within 12 months of the date of hire or reassignment, the teammate will repay NDOT a prorated amount based the length of time the teammate worked in the new location.*

Good internal controls require procedures to ensure the following: 1) employees are not reimbursed more than allowed by policy, with any overpayments being identified and recouped in a timely manner; 2) employees are reimbursed for meals as allowed per the policy and are limited to a specified dollar amount; and 3) employees are limited from taking improper advantage of moving expense reimbursements by terminating employment soon after receiving those benefits. Procedures could include reviewing for moving expense reimbursements or benefit repayment as part of the agency’s regular offboarding process, and if a moving expense reimbursement or benefit is identified that should be repaid, that amount could then withheld from the employee’s final payroll or final leave payout.

Without such procedures, there is an increased risk for loss or misuse of public funds.

We recommend that NDOT implement procedures to ensure the following: 1) employees are not reimbursed more than allowed by policy, with any overpayments being identified and recouped in a timely manner; 2) employees are reimbursed for meals as allowed per policy and are limited to a specified dollar amount; and 3) employees are prohibited from taking improper advantage of moving expense reimbursements by terminating soon after receiving those benefits. Such procedures could include reviewing for moving expense reimbursements or benefit repayment as part of the agency’s regular offboarding process, and if a moving expense reimbursement or benefit is identified that should be repaid, that amount could then be withheld from the employee’s final payroll or final leave payout.

**NDOT Response:** *NDOT provides relocation reimbursement in accordance with agency policy and has taken steps to reinforce compliance with reimbursement limits and eligibility terms. The offboarding process now includes a specific review of moving expenses to ensure repayment is initiated when applicable. Staff have received updated guidance on allowable expenses, and documentation requirements are reviewed prior to reimbursement. These measures support consistent adherence to policy and reduce the risk of overpayment.*

## 7. Reimbursements to Terminated Employee Address Book Numbers

During testing of payments to the address book numbers of terminated employees between July 1, 2024, and February 26, 2025, we noted five terminated employees who received payments or reimbursements for services and expenses incurred after their termination dates. Instead of being set up in the State’s accounting system, EnterpriseOne, as a vendor, these payments were made to the former employees’ address book numbers. Payments to these five terminated employees are summarized below:

Agency	Employee Termination Date	Date of Last Payment	Days Between Termination and Last Payment	Total Amount Paid During FY2025^	FY2025 Amount Paid After Termination^
Nebraska Supreme Court	3/31/2016	2/24/2025	3,252	\$ 667	\$ 667
Nebraska Department of Correctional Services / Nebraska Military Department*	8/9/2019	10/31/2024	1,910	1,147	1,147
Nebraska Legislative Council	12/1/2020	7/18/2024	1,325	3,992	3,992
Nebraska Corn Board	6/30/2022	9/4/2024	797	1,048	1,048
Nebraska Real Estate Commission	12/31/2024	1/31/2025	31	7,897	4,410
<b>Totals</b>				<b>\$ 14,751</b>	<b>\$ 11,264</b>

^Through February 26, 2025

\*This employee was previously employed by the Nebraska Department of Correctional Services (NDCS). However, the payment was initiated by the Nebraska Military Department but made by NDCS.

The above payments are described in more detail below:

- **Nebraska Supreme Court** – These payments were made to a former county court employee, who now works for a county. This individual assisted the county court because the current Clerk Magistrate serves multiple county courts.
- **Nebraska Department of Correctional Services** – These payments were made by the Nebraska Department of Correctional Services on behalf of the Nebraska Military Department for payroll and travel expenses incurred during State active duty with the Nebraska National Guard. These payments were made by the Nebraska Department of Correctional Services as the Nebraska Military Department is unable to process payments to employees of other agencies; however, this individual was no longer a State employee and should not have been paid as such.
- **Nebraska Legislative Council** – These payments were made to a former employee who is a current member of the Uniform Law Commission. The payments were made to reimburse the individual for expenses incurred during travel to the National Conference of Commissioners on Uniform State Laws in Boston, Massachusetts, as required by Neb. Rev. Stat. § 49-904 (Reissue 2021).
- **Nebraska Corn Board** – These payments were made to a former board member with whom the Nebraska Corn Board signed a memorandum of understanding to reimburse him for any travel expenses incurred while serving on the executive board of the United States Meat Export Federation. After the individual was no longer serving on the Nebraska Corn Board, this memorandum of understanding was renewed.
- **Nebraska Real Estate Commission** – These payments were made to the former director who, after retiring, agreed to serve as an independent contractor to the commission, providing consulting services to aid in the transition to a new director.

Good internal controls require procedures to ensure that payments are not made to the address book numbers of terminated employees, unless the payments are related to services performed or expenses incurred as part of their employment and prior to their termination. Such procedures would also include a periodic review of payments made to address book numbers of terminated employees to ensure they are reasonable.

Without such procedures, there is an increased risk for the loss, misuse, or theft of public funds.

We recommend the agencies noted above create vendor address book numbers for terminated employees who perform services for or incur expenses on behalf of those agencies. We further recommend that agencies, including the Department of Administrative Services, implement procedures for periodically reviewing payments made to address book numbers of terminated employees to ensure they are reasonable.

**Supreme Court Response:** *If similar payments are made in the future, a vendor address book number will be created.*

**NDCS Response:** *As noted to the Auditors, NDCS does not manage when another agency pays a current or former employee for active duty through the military.*

**APA Response to NDCS:** It should be noted that the expense reimbursement tested was paid by NDCS to the terminated employee address book record. However, when the individual is owed State active duty funds but is no longer employed by the State, we recommend a vendor address book record is used to pay the individual.

**Legislative Council Response:** A former Revisor of Statutes serves as a lifetime member of the Nebraska Commission on Uniform State Law. Per Neb. Rev. Stat. § 49-905, the commission authorizes reimbursement for travel expenses that members, including this individual, incur while performing their duties.

We established this individual as a vendor in E1, replacing her former employee ID to prevent its future use.

**Corn Board Response:** The Nebraska Corn Board now recognizes the distinction between an employee address book number and those of vendors or volunteers. We have since corrected the issue and established the past board member with a volunteer address book number, and the board will include a policy for future reference.

**Real Estate Commission Response:** Thank you for the notification regarding the incorrect address book number used to pay a prior employee. Our office has been working with DAS Accounting to get this new vendor address book number created the employee which is now a contractor. Upon receipt of the June 13, 2025 notice we have contacted state accounting and the contractor to obtain proper documentation needed to create a new address book number. State Accounting issued the new address book number on June 23, 2025.

**DAS Response:** DAS will work with the agencies noted that are paying past employees as vendors.

## **8. Payments to Deactivated Vendor Address Book Records**

During testing, we noted that four deactivated vendor address book records received payments after being deactivated. Vendor address book records are deactivated for various reasons, including change of a vendor's Federal Tax Identification Number (FTIN) or name. The following table details these payments:

Vendor Name	Deactivation Date	Date of Last Payment	Amount Paid After Deactivation
ALLO COMMUNICATIONS LLC	3/12/2025	4/17/2025	\$ 267,378
DON'T PANIC LABS	10/31/2022	4/7/2025	53,418
SHUR TITE PRODUCTS	6/3/2024	7/8/2024	4,463
NEBRASKA CITY PUBLIC SCHOOLS	1/6/2023	1/17/2025	1,756
Total			\$ 327,015

The following agencies made payments to these vendors: University of Nebraska, Nebraska State College System, Nebraska Department of Transportation, and Nebraska State Treasurer. Employees of the Nebraska State Treasurer have a higher level of access within the State's accounting system, EnterpriseOne, which allows them to view and process payments to deactivated vendors. The other agencies process transactions in separate systems, which then interface with the State's accounting system. Payments to deactivated vendors can still be processed if they come into the State's accounting system via interface.

Good internal controls require procedures for performing a review of payments to deactivated vendors to ensure they are legitimate, and the correct address book number is being used.

Without such procedures, there is an increased risk for loss, misuse, or theft of public funds.

We recommend the Department of Administrative Services implement procedures for performing a review of payments to deactivated vendors to ensure they are legitimate, and the correct address book number is being used. We further recommend the Department of Administrative Services work with agencies making such payments to ensure that the correct address book number is used for future payments.

**DAS Response:** DAS will review agency activity for the vendors noted and make necessary updates.

## 9. Vendors with Excessive Amount of Address Book Numbers

The APA reviewed active vendor address book numbers to determine how many of them shared a FTIN. During this review, the APA noted 255 different FTINs that were associated with more than 20 address book numbers each. Of these, we selected 76 for further examination and determined that the number of address book numbers did not appear reasonable because their mailing addresses were identical. The following table outlines the five FTINs with the most address book numbers and the total number of different mailing addresses and cities associated with each FTIN:

Vendor Name	Count of Address Book Numbers	Number of Different Addresses	Number of Different Cities
Aseracare Hospice	231	15	12
Alegent Health Clinic	223	15	7
UNMC Physicians	202	5	2
Good Samaritan Society	163	53	26
Walmart	160	43	28

The remaining 53 FTINs were associated with between 21 and 153 address book numbers apiece, all having multiple address book numbers with the same addresses. As the APA was unable to determine a difference between these address book numbers, other than slight spelling or naming discrepancies, the amounts of address book numbers associated with each of these FTINs appear excessive.

Good internal controls require procedures to ensure that address book numbers are created only when necessary, and a periodic review is performed to ensure that unused address book numbers are deactivated.

Without such procedures, there is an increased risk for loss, misuse, or theft of public funds.

We recommend that the Department of Administrative Services implement procedures to ensure that address book numbers are created only when necessary. We further recommend the Department of Administrative Services review, with the assistance of other State agencies, vendors with multiple address book numbers to determine which of those address book numbers can be deactivated.

***DAS Response:*** The vendor records noted are created primarily by sub systems managed by another State agency. DAS will request they review their vendor management processes.

## 10. Incomplete Employee and Vendor Address Book Records

During review of employee and vendor address book records, we noted the following:

- Thirteen active employees did not have a bank account recorded in the State's accounting system, EnterpriseOne. These employees were hired between January 10, 2011, and January 23, 2025. For one of these employees, a bank account was entered on March 6, 2025; however, this was more than one month after the employee was hired on January 21, 2025. The following table outlines the employing agency for these employees:

Agency	Employees Without Bank Account
Nebraska Department of Health and Human Services	3
Nebraska Game and Parks Commission	3
Nebraska Military Department	1
Nebraska Department of Administrative Services	1
Nebraska Commission on African American Affairs	1
Nebraska Department of Natural Resources	1
Nebraska Commission on Asian American Affairs	1
Nebraska Commission on Indian Affairs	1
Nebraska Hemp Commission	1
<b>Total</b>	<b>13</b>



- One employee of the Nebraska Department of Correctional Services did not have an adequate mailing address listed in the State’s accounting system. The mailing address in the system showed as “+–” rather than showing the actual address of this employee. This was corrected on March 20, 2025, 101 days after the employee was hired on December 9, 2024, after inquiry by the APA.
- There were 460 vendors that did not have a FTIN entered in the State’s accounting system, EnterpriseOne. Each of these vendors received at least one payment between July 1, 2024, and March 5, 2025, with a total of \$2,045,340 being paid to them during that time.
- There were 21 vendors that did not have a valid FTIN recorded in the State’s accounting system as those FTINs contained only letters. Each of these vendors received at least one payment between July 1, 2024, and March 5, 2025, with a total of \$570,238 being paid to them during that time. All 21 vendors were foreign vendors; however, a Form W-8 BEN, Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting, was either not included with the address book record or did not include a foreign tax identification number.

Neb. Rev. Stat. § 81-1117.05 (Reissue 2024) states the following:

*The Department of Administrative Services may make payments that include, but are not limited to, wages and reimbursable expenses to state employees by electronic funds transfer or a similar means of direct deposit. For purposes of this section, state employee means any person or officer employed by the state who works a full-time or part-time schedule on an ongoing basis.*

The State Accounting Manual, AM-005, General Policies, Section 40 (“Payments for State Employee Wages & Expense Reimbursements”) (7/2021), states the following:

*In accordance with §81-1117.05, payments for wages and expense reimbursements for all state employees will be by electronic funds transfer (EFT/Direct Deposit). Such EFT payments may be made to any financial institution of the employee's choosing or to a state authorized debit card. State employees include all officers or employees of the state or any state agency and pursuant to §81-1178 shall include duly appointed committee, board and commission members.*

As the State Accounting Manual states that all wages and expense reimbursements are paid electronically to State employees, a bank account must be recorded for each employee in order to process such payments.

The “Information Returns” Section of Internal Revenue Service (IRS) Publication 15, “(Circular E), Employer’s Tax Guide,” (2025) states the following:

*You [employers] may also be required to file information returns to report certain types of payments made during the year. For example, you must file Form 1099-NEC, Nonemployee Compensation, to report payments of \$600 or more to persons not treated as employees (for example, independent contractors) for services performed for your trade or business.*

If vendors do not have a proper FTIN recorded in the State’s accounting system, the State cannot properly issue information returns, such as a Form 1099.

Good internal controls require procedures to ensure the following information is recorded in the State accounting system: 1) a bank account and proper mailing address for all State employees; and 2) a valid FTIN for all vendors. Additionally, a periodic review should be performed to ensure that such information is properly maintained in the State accounting system.

Without such procedures, there is an increased risk for not only inaccurate tax reporting and noncompliance with State accounting policies but also loss or misuse of public funds as a result of false vendors being created.

We recommend the Department of Administrative Services work with other agencies to ensure that bank accounts and mailing addresses are recorded for all State employees. Likewise, the State accounting system should reflect a valid FTIN for all vendors. We further recommend the Department of Administrative Services implement procedures for performing a periodic review to ensure that such information is properly maintained in the State accounting system.

**DAS Response:** *Valid FTIN’s are not stored in the accounting system for foreign vendors as a control to prevent ACH transactions on rails that do not allow clearing funds to foreign banks.*

\* \* \* \* \*

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 agencies 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 agencies.

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 State's internal control over financial reporting or compliance.

This interim communication is intended solely for the information and use of each agency's management, the Governor and State Legislature, others within the agencies, Federal awarding agencies, pass-through entities, and management of the State of Nebraska and is not suitable for any other purpose. However, this communication is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink that reads "Dakota Christensen". The signature is written in a cursive, flowing style.

Dakota Christensen, CPA, CISA, CFE  
Audit Manager

cc: Patrick F. Condon, Lancaster County Attorney  
Greg M. Ariza, Lancaster County Deputy Attorney

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES  
Tuition Reimbursement Application – As of March 3, 2025  
Fiscal Year Ending June 30, 2025

Attachment A

NEBRASKA DEPARTMENT OF CORRECTIONAL SERVICES  
APPLICATION FOR TUITION ASSISTANCE

When applying for Tuition Assistance, the employee will complete the information requested below down through the employee signature block. PLEASE PRINT.

Name: \_\_\_\_\_ School: \_\_\_\_\_  
AB Employee Number: \_\_\_\_\_ Course Title: \_\_\_\_\_  
NDCS Facility/Program/Section: \_\_\_\_\_ Date Course Begins: \_\_\_\_\_ Date Course Ends: \_\_\_\_\_  
Current NDCS Position: \_\_\_\_\_ Credit Hours: Semester: \_\_\_\_\_ Quarter: \_\_\_\_\_  
Off Original Probation: YES ☐ NO ☐ Graduate: ☐ Undergraduate: ☐ Tuition Rate per Credit Hour \_\_\_\_\_

I herein certify understanding of the following:

1. I am a permanent employee and have satisfactorily completed my original probationary period.  
\*\* Teachers refer to Policy 112.44, *Education Administration*
2. I am limited to the maximum monies per fiscal year \$10,000; which fiscal year is determined by the course start date, not the end date.
3. A separate application is to be completed for **each** class.
4. **A schedule is attached identifying school name, class title, start date, and credit hours for each class. If submitting approval for books, an itemized receipt is required.**
5. Warden/Program Administrator approval must be secured prior to the class starting date. This approval is subject to verification of available monies amount.
6. Approval was not received by the course start date – not eligible for reimbursement.
7. My class schedule will not interfere with my regular work hours unless authorized by my Warden/Program Administrator.
8. Any change for an approved tuition assistance application requires the employee to inform the Central Office HR Administrative Specialist. Any change in the course's status includes, course dropped, full, changed college, etc. This ensures the accuracy of eligible courses and semester credit hours.
9. I am allowed 15 calendar days from date of completed application to dispute the approval and/or allocated amount.
10. Completion of course and obtaining a grade of at least a 'C-', or 'Pass' if a Pass/Fail grade is given.
11. Reimbursement of tuition does not include fees, etc. and is subject to the conditions below:
  - a. If eligible for other educational reimbursements, I shall use those programs first. I will apply only for the difference of tuition.
  - b. At no time, am I allowed to receive more than the authorized actual tuition rate, nor be reimbursed for the same class more than once.
12. Application for reimbursement shall be submitted to the Facility/Program Business Manager within 60 calendar days following completion of the class and issuance of grades. Required documents are the Expense Reimbursement Request and the following attachments per Policy 112.19: itemized statement listing tuition separate from fees, and copy of grades/transcript. Failure to submit within the required timeframe voids reimbursement eligibility per state statute §81-1174, and thus following state statute will not be reimbursed.
13. I will remain in the Department employment for a minimum of 12 months following the course completion date. If not, I understand I am required to repay reimbursed tuition assistance. Repayment is pro-rata on the amount of time remaining in the twelve (12) months from the course completion date. Failure to reimburse the Department may affect future employment with NDCS.
14. If interested in receiving Annual In-Service training credit for completed college courses, see Section III. D.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

\*Approved / Disapproved

Warden/Program Administrator

Date

\*Approval is subject to verification of eligible credit hours and qualifying classes.

REIMBURSEMENT APPROVAL CALCULATIONS (HR use only):

This application is for: Tuition ☐ Books ☐ Max. Avail. for Fiscal Year \_\_\_\_\_

Tuition Rate \_\_\_\_\_ X \_\_\_\_\_ Semester \_\_\_\_\_ Quarter \_\_\_\_\_ = \_\_\_\_\_ Available Monies Prior to This Request  
\_\_\_\_\_ Current Request Amount  
\_\_\_\_\_ Revised Available Monies

Verified by: \_\_\_\_\_ Date \_\_\_\_\_  
Eligible / Not Eligible HR Administrative Specialist

Reviewed by: \_\_\_\_\_ Date \_\_\_\_\_  
Eligible / Not Eligible Assistant HR Administrator

Distribution:  
Original: Accounting Copy: Employee

DCS-A-per-005-pc (rev 02.2022)

Policy 112.19  
Attachment A

NEBRASKA BRAND COMMITTEE  
**Vehicle Cost Analysis**  
Fiscal Year Ending June 30, 2025

**Attachment B**

Brand Committee cost analysis of paying mileage vs. purchasing vehicles.

In 23/24 fiscal year the Brand Committee paid \$656,879.21 in mileage to Inspectors.

With 67 inspectors, that averages out to 817.01 per month per inspector.

Due to the nature of the work, our inspectors do, 4-wheel drive pickups would be a necessity.

If we figure the pickup cost at \$50,000 dollars (approx. cost of investigator pickups purchased in 2023) and assume we can get 5 years out of each pickup, that comes out to 833.33 per month per inspector.

At \$40,000 it would be \$666.66 per month.

Oil change and tires per year, low end estimate, would be \$1200.00 or \$100.00 per inspector per month.

Fuel cost at 950,000 miles per year, high estimate of 20 mpg with gas at \$3.00 per gallon would be \$142,500.00 per year or \$177.23 per month per inspector.

This works out to:

At \$50,000 to 1106.56 per month per inspector.

At \$40,000 to 943.89 per month per inspector.

These figures do not include insurance cost per vehicle, unexpected repairs, additional work time for maintenance on vehicles by inspectors, and office staff time to coordinate and oversee billing on all these vehicles, and increased liability of the Brand Committee, with that many agency owned vehicles on the road.

In conclusion, the Brand Committee would have increased costs, liability, and a logistic nightmare, if we were to operate a fleet of agency owned vehicles, rather than pay mileage. All figures, for purchases were figured on a best-case scenario. I do not believe we would get 5 years out of many of these vehicles, do to wear and tear, in the nature of the place's inspectors need to go, to perform their duties.