

NEBRASKA LEGISLATIVE OVERSIGHT COMMITTEE

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MEMORANDUM

To: Members of the Legislature
From: Legislative Audit Office
Date: September 29, 2025
Re: Legislative Audit Office Annual Report

OVERVIEW

Each year, the Legislative Audit Office is required to report to the Legislature on recommendations made by the Legislative Oversight Committee in the previous fiscal year's audit reports, as well as the status of the implementation of the recommendations. The following audits and preaudits were completed during FY2025:

- Audit of childcare provider background checks at the Department of Health and Human Services and Nebraska State Patrol
- Audit of Beginning Farmer tax credit program

The following audits and preaudits are underway currently:

- Audit of Department of Administrative Services emergency contracting process
- Audit of iServe/Call Center program operation
- Audit of New Markets Job Growth Investment tax credit program
- Preaudit of Department of Education special education enrollment

FY2025 REPORT RECOMMENDATIONS

Recommendations from the *Department of Health and Human Services and Nebraska State Patrol: Analysis of Processing Background Checks for Child Care Providers* audit report (September 2024)

Finding: Between 6% and 30% of applications were not processed within 45 calendar days as required by federal regulations, depending on the year.

Recommendation: If the Legislature wants to establish a different timeframe than the federal standard, they could consider legislation setting a state time limit for child care license processing.

Members of the Performance Audit Committee met with DHHS and NSP prior to the 2025 legislative session to determine whether legislation was necessary. No legislation was introduced.

Result: Although 36% of Criminal History Record Information was received by the next business day, 10% was not received before the fourth business day after completion at the Nebraska State Patrol. Relying on interagency mail for the transmission of federally protected data adds time to the full process of determining eligibility statuses for child care workers.

Recommendation: The establishment of a secure digital transmission system could eliminate delays caused by the physical transfer of criminal history reports. The agencies should collaborate to find an appropriate digital system and determine if additional funds would be needed for implementation.

In March 2025, DHHS and NSP reported that they needed to make system upgrades before a secure digital platform could be implemented. At the time, both agencies committed to collaboration with the other agency on secure digital transmission. NSP reported beginning updates to two systems the Automated Fingerprint Identification System (AFIS), which was planned to be completed by December 2027 and the Record Information Tracking System (RITS) which did not have an official completion date at the time. DHHS reported a web-based licensing system upgrade went live on February 25, 2025 and that additional software upgrades were scheduled for completion in 2027.

Finding: The Department of Health and Human Services Occupational Licensure Division lacks internal controls and computer systems controls to mitigate the risk of human error.

Recommendation: The Department of Health and Human Services should implement and follow internal controls and computer systems controls policies. This includes, but is not limited to, procedures for double-checking data entry and having staff collect and record complete information about applications and application processing, like a unique identifier and date of application receipt.

DHHS's implementation documentation reported that agency staff are reviewing applicant data with NSP submission lists on a weekly basis to identify discrepancies. When a discrepancy is due to clerical error, DHHS determines whether there is a pattern of error with that particular staff person and whether retraining is necessary. DHHS reported they have begun what they term "proactive communication" between DHHS and NSP when interagency discrepancies occur to allow more prompt action to avoid delays.

DHHS reported a new web-browser based application system went live on February 25, 2025, which would allow applicants to enter their own information into the DHHS web-form which will be saved in the DHHS licensing system for reference. DHHS will still accept paper applications during Phase 1, but the agency believes that "the implemented internal controls will identify any errors quickly". When Phase 2 is completed in 2027, applicants will be able to create an individual profile and submit the application immediately through the system. The system

will assign the applicant a unique identifier allowing tracking of the application. DHHS reports that as the software is updated the agency will draft/update internal control and system control policies.

The Office followed up with DHHS to understand how the application process would be different from what was observed during the audit period. Because the finding for this recommendation was primarily concerned with the potential for errors when application information was being entered by hand, a more automated process would likely be an improvement. DHHS told auditors that staff is entering the form fillable PDF by hand, therefore no change has been made to this part of the process.

Recommendations from the Nebraska Beginning Farmer Tax Credit Act: Performance on Selected Metrics audit report (June 2025)

Finding: Current Beginning Farmer program practices may not be sufficient for 1) ensuring that participants are aware of their responsibilities, 2) informing the agency/Beginning Farmer Board of the current status of lease agreements, and 3) informing the agency/Beginning Farmer Board of changes in the qualification status of beginning farmers related to continued participation and property tax exemptions. This introduces some risk that the program could provide benefits outside of statutory intent.

Recommendation: The Department of Agriculture should contact participants in active cases prior to the Beginning Farmer Board's annual case review to 1) remind all participants of their responsibilities under the Act and Rules and Regulations and 2) to ascertain information necessary for the Board to make informed judgements while performing their duties under Neb. Rev. Stat. § 77-5213.

The Department of Agriculture is implementing a plan to address the recommendation.