

NEBRASKA LEGISLATIVE OVERSIGHT COMMITTEE

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MEMORANDUM

To: Members of the Legislature
From: Legislative Audit Office
Date: September 30, 2026
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 FY2026:

- Audit of Department of Administrative Services emergency contracting process
- Audit of iServe/Call Center program operation
- Preaudit of Department of Education special education enrollment

The following audits and preaudits are underway currently:

- Audit of Department of Education Lottery Fund Programs
- Audit of Historic Preservation Tax Credit
- Audit of Nebraska Affordable Housing Trust Fund

FY2026 REPORT RECOMMENDATIONS

Recommendations from the *Department of Administrative Services: Analysis of State Agency Emergency Contracting* audit report (September 2025)

Recommendation: If the Legislature wishes to have more information about emergency contracts, they could consider requiring agencies to report emergency contracts to DAS annually and for DAS to provide that report to the Legislature. By requiring a report of this type, this would also give DAS the ability to check that emergency contracts are being entered into the EnterpriseOne as required by statute.

Implementation: DAS made some changes to be able to specifically track emergency contracts in 2024. In September 2026, DAS was able to provide a report of emergency contracts upon request.

Implementation: No legislation was introduced to require additional legislative notification for emergency contracts. However, the Legislature did enact a requirement that the auditor of public accounts be notified when an emergency contract is signed (LB 997 was amended into LB 1048, which was signed into law.)

Recommendation: DAS should ensure that regular agency training includes a review of contract extension rules. All agencies should review their contracting procedures to make certain that contracts are extended in a manner compliant with Neb. Rev. Stat. § 73-812.

Implementation: DAS reported efforts to provide agency trainings in 2024 and 2025, including procurement user group trainings, lunch and learns for any agency, agency specific lunch and learns at four agencies. The agency indicated in their November 2025 implementation that they intended to secure more trainings in 2026 to correct issues identified in the audit.

All implementation plans for other agencies with findings in the report indicated an intention to work with DAS to ensure compliance.

Implementation: The Crime Commission reported that future information system projects will be vetted internally with greater attention to collaboration and planning around the technical requirements needed to implement the project. This includes discussions with the OCIO staff assigned to the Training Center, division directors, and the technical team who support Crime Commission information system platforms. Collaboration with the Department of Administrative Services procurement administrators will be included as a part of the internal project planning strategy.

Purchasing requirements will be reviewed by the appropriate division director, the Executive Director, the Operations Support and Research Director, the Agency Legal Counsel, and the Budget and Accounting Director before execution of future contracts. Following an internal review process future procurement effort will be reviewed jointly with the Department of Administrative Services procurement administrators. Normal project management and procurement strategies of the agency will conform with the requirements outlined by the Department of Administrative Services.

Implementation: The Military Department reported that they will utilize resources from Department of Administrative Services for future emergency contracts.

Implementation: The Department of Transportation reported that the agency will continue to use validity reports and ensure staff members understand the requirements of the statutes. NDOT management will also ensure staff are encouraged to take advantage of the training and support provided by DAS.

Recommendation: State law is very clear that contracts must be entered into the State Contract Database. Agency executives should ensure that all contracts, including emergency contracts, are uploaded to the State Contract Database as required by Neb. Rev. Stat. § 84-602.04.

Implementation: The Game and Parks Commission reported that they will ensure that signed agreements will be included with E1 purchase orders. The agency's completion date for the new process was August 31, 2025.

Implementation: The Military Department reported that they remediated this issue as of November 2025: All emergency contracts are now successfully uploaded to the states contract database. The Military Department has implemented a process to review the validity report sent to our agency on a weekly basis and has designated specific staff to review and upload outstanding documentation. Military Department personnel have also completed training with Department of Administrative Services staff to ensure documentation is uploaded timely and appropriately.

Implementation: The Department of Motor Vehicles reported that they immediately uploaded the missing contract into the database and implemented new procedures to ensure future compliance.

Implementation: DAS reported in their 2025 implementation plan that they were working on a policy to make contracts are uploaded to the database. In September 2026, the agency reported that the policy is awaiting final approval by the agency director.

Recommendations: DED and NDOT should ensure, and seek assistance from DAS to confirm, that their contract documentation procedures are in compliance with the Procurement Act.

If the Legislature believes that the statute should be more explicit in requiring contracts be entered into E1, they could consider modifying the statute to explicitly state that contracts must be entered into E1.

Implementation: DAS reported in their 2025 implementation plan that they were working on a policy that explicitly requires actual contracts be entered into E1 as well as additional training. In September 2026, the agency reported that the policy is awaiting final approval by the agency director.

In their implementation plan DED wrote that they had begun working to ensure that all previous contracts would be entered into E1. When asked in September 2026, they reported that all contracts had been entered.

Implementation: The Department of Transportation reported that they would work with the Department of Administrative Services (DAS) to ensure NDOT's compliance with Neb. Rev. Stat. § 73-806 of the State Procurement Act and with DAS Policy implementing section 73-806 and Neb. Rev. Stat. § 84-602.04(4).

Implementation: No legislation was introduced.

Recommendation: DAS should review its policies and procedures for DAS emergency contracting and ensure that contract deviation form is properly completed and approved by the DAS Director even when the emergency is caused by legislation with a deadline incompatible with competitive bidding procedures.

For legislation that requires agencies to enter into time-dependent contracts, the Legislature could consider including language that provides more specificity about what contract process the agency should follow rather than a complete exemption from competitive bidding.

Implementation: DAS reported that they reviewed their policies and will always require justification for emergency contracts regardless of the origin of the contract.

Recommendation: DED should review their internal policies and procedures to ensure that they are in compliance with the law. DAS should provide assistance to DED to ensure that their policies are up-to-date and staff is properly trained in procurement procedures.

Recommendation: DED should submit fully completed justification forms and DAS should only accept them if they contain the required justification.

Implementation: DAS reported in their 2025 implementation plan that they were working on a policy that justification forms be fully complete. In September 2026, the agency reported that the policy is awaiting final approval by the agency director.

Recommendation: If the Legislature is concerned about agency emergency contracting, they could consider a number of changes to the statute, including but not limited to: modifying the definition of emergency to be less vague by focusing on why competitive bidding is not possible rather than the nature of the emergency or limiting the duration of the emergency contract or the scope of what can be contracted for. They could also consider more robust reporting to the Legislature.

Implementation: No legislation was introduced.

Recommendations: DHHS should create procurement procedures that emphasize planning and ensures that the RFP process starts before the expiration of current contracts.

DAS should ensure that agencies are able to use the sole source exemption in situations where a sole source contract is appropriate.

DAS should create criteria for use of the exception in Neb. Rev. Stat. § 73-813(b) for contracts where competitive bidding is otherwise not appropriate or compatible.

Implementation: DAS reported that they are working to ensure that agencies are aware of sole source requirements and when to best use a sole source contract. DAS said it will continue to educate agencies on how to request and use sole source contracts. DAS also promised to research and continue to consider best procurement practices, including development of criteria for use of exception in Neb. Rev. Stat. § 73-813(b).

Implementation: DHHS reported that they have a team in place whose focus is on contracts that need to go through the RFP process. The team has been trained on all Nebraska procurement rules and regulations around contracting of services. In addition, they are tracking all RFPs to ensure that they are started timely and prior to the expiration date. DHHS also reported in November 2025 that the agency was in the process of updating their procurement policy to include reviewing contracts and proper portfolio management of all contracts. This includes, properly using the sole source exemption and exception criteria in Neb. Rev. Stat. § 73-813(b). The portfolio management policy was finalized on October 10, 2025, however the update to the procurement policy is not complete as of September 10, 2026.

Recommendations from the Department of Health and Human Services: An Analysis of the Application Process for Public Assistance Programs audit report (December 2025)

Recommendation: If the Legislature is concerned about call wait times, they can continue to monitor data to determine if future legislative action is needed.

Implementation: No action needed at this time.