

**AUDIT REPORT
OF THE
NEBRASKA STATE FIRE MARSHAL
JULY 1, 1998 THROUGH JUNE 30, 1999**

NEBRASKA STATE FIRE MARSHAL

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NEBRASKA STATE FIRE MARSHAL

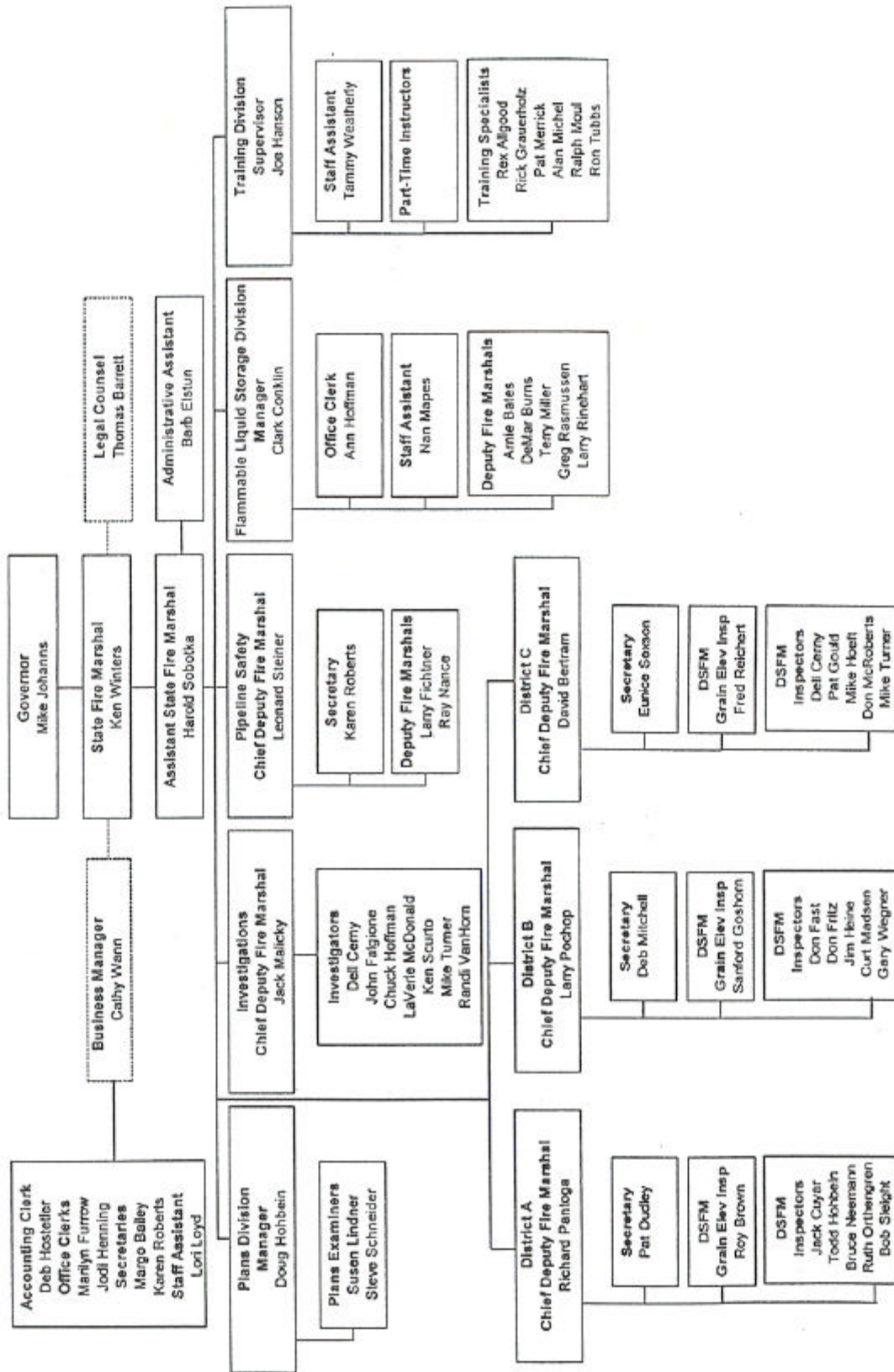
BACKGROUND

The Nebraska State Fire Marshal's office was created by a Legislative Act in 1909 known as the "Fire Commission Law." The Nebraska State Fire Marshal's major duties are: fire investigation, fire safety education, fire safety and fire code inspection, fireworks and underground storage tank regulation, fire alarm inspector certification, building plan review, natural gas pipeline safety, handicap accessibility law enforcement, hazardous materials incidents response, fact collection and compilation on all fires occurring within the State, and statewide fire department personnel training.

MISSION STATEMENT

The State Fire Marshal's Agency mission is to provide measures for life and property protection on fire, environment and accessibility issues through education, inspections, and training.

Nebraska State Fire Marshal's Office



NEBRASKA STATE FIRE MARSHAL

SUMMARY OF COMMENTS

During our audit of the Nebraska State Fire Marshal, we noted certain matters involving the internal control over financial reporting and other operational matters that are presented here. Comments and recommendations are intended to improve the internal control over financial reporting, ensure compliance, or result in operational efficiencies.

1. Costs of Services
2. Deposit of Receipts
3. Federal Payroll Documentation

More detailed information on the above items is provided hereafter. It should be noted that this report is critical in nature since it contains only our comments and recommendations on the areas noted for improvement.

Draft copies of this report were furnished to the Agency to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. All formal responses received have been incorporated into this report. Where no response has been included, the Agency declined to respond. Responses have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were not verified at this time but will be verified in the next audit.

We appreciate the cooperation and courtesy extended to our auditors during the course of the audit.

NEBRASKA STATE FIRE MARSHAL

COMMENTS AND RECOMMENDATIONS

1. Cost of Services

“The State Fire Marshal shall establish and assess fees not to exceed the actual costs for the performance of services by the State Fire Marshal” State Statute Section 81-505.01, R.S. Supp., 1998. Good fiscal policy requires the Nebraska State Fire Marshal to develop a system to accumulate information on an annual basis to determine the costs of services provided. This would involve segregating expenditures related to specific activities as well as developing a method to allocate common expenditures such as personnel and accounting to all activities.

As also noted in the prior audit, the State Fire Marshal does not have a system to allocate the costs of administration or to determine on a regular basis the costs of providing services. The last review completed by the Agency to compare fees charged to related costs was in 1994. They are in the process of analyzing fees, but the costs of services have not yet been accumulated and administrative costs are not allocated.

Without determining costs of services on a regular basis, the Fire Marshal cannot ensure the agency is in compliance with the above statute. In addition, cost information is needed to determine the efficiency of providing various services from year to year.

We recommend the State Fire Marshal continue efforts to determine costs of services on an annual basis and include an allocation of administrative costs. This can be accomplished with a system utilizing the State accounting system and the Agency’s timekeeping system.

STATE FIRE MARSHAL’S RESPONSE: THE AGENCY AGREES TO RESEARCH ACTUAL COSTS NECESSARY TO PERFORM THE DIFFERENT SERVICES PROVIDED BY THIS OFFICE. THE COSTS WILL BE BASED ON THE AVERAGE TIME SPENT TO CONDUCT EACH CLASS OF INSPECTION, AVERAGE TRAVEL TIME NEEDED TO ARRIVE AT EACH INSPECTION, AND ESTIMATED PERCENTAGES OF AMOUNT OF ADMINISTRATIVE TIME USED BY STAFF TO COMPLETE THE PAPERWORK, MAILING, AND SUPERVISION OF STAFF. UNTIL EARLIER THIS YEAR, ADEQUATE RECORDS WERE NOT KEPT ON AMOUNT OF TIME EACH STAFF PERSON NEEDED TO TRAVEL TO AND FROM EACH WORK LOCATION.

2. Deposit of Receipts

State Statute Section 81-118, R.R.S. 1996, requires, “The gross amount of money received by every department . . . shall be paid into the state treasury, without delay, not later in any event than ten days after the receipt of the same. . . .”

During our review we noted 4 out of 25 receipts tested were not deposited within ten days of receipt. The receipts exceeded the statutory limitation by a range of three to seven days. The prior audit noted 8 out of 25 receipts were not deposited within ten days. Although this audit

NEBRASKA STATE FIRE MARSHAL

COMMENTS AND RECOMMENDATIONS

2. **Deposit of Receipts** (Concluded)

noted an improvement, 1999 Neb. Laws LB 61, effective August 28, 1999, requires deposits of \$500 or more be deposited within three business days after receipt. Since the Agency's deposits exceed \$500, considerable improvement will be needed.

We recommend the Agency implement procedures to ensure all receipts are deposited as required by 1999 Neb. Laws LB 61.

STATE FIRE MARSHAL'S RESPONSE: CHANGES HAVE BEEN MADE TO ENSURE ALL RECEIPTS ARE DEPOSITED AS REQUIRED BY LB61. THE ACCOUNTING CLERK, WHO WAS SOLELY RESPONSIBLE FOR PREPARING AND DELIVERING THE GENERAL DOCUMENT TO THE STATE TREASURERS' OFFICE HAS NUMEROUS DEADLINES AND WAS NOT ALWAYS ABLE TO COMPLY WITH THIS DEADLINE. ANOTHER EMPLOYEE AGREED TO ASSUME THIS DUTY AND THE ACCOUNTING CLERK WILL ASSIST ONLY IN THE CASE OF ABSENCES OF THE EMPLOYEE PREPARING AND DISTRIBUTING THE GENERAL DOCUMENT. A CASH REGISTER RECEIPT IS BEING PRINTED TWICE EACH WEEK, AT WHICH TIME THE DEPOSIT IS NOW BEING PREPARED AND DELIVERED.

3. **Federal Payroll Documentation**

The Office of Management and Budget Circular A-87 (8/29/97), Cost Principles for State, Local, and Indian Tribal Governments, Attachment A, Section A, (3)(a), states, "These principles will be applied by all Federal agencies in determining costs incurred by governmental units under Federal awards (including subawards). . . ." Attachment B, Section (11)(h)(3) states, "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee." Attachment B, Section (11)(h)(4) states, "Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. . . ."

We noted salaries and wages of employees, who worked solely on a single Federal award, were not supported by periodic certifications.

By requiring periodic certifications, the Fire Marshal can provide documentation to support salaries and wages for the employees who worked solely on a single Federal award.

We recommend the State Fire Marshal require periodic certifications.

STATE FIRE MARSHAL'S RESPONSE: THE AGENCY WILL REQUIRE SEMI-ANNUAL CERTIFICATION FROM THOSE EMPLOYEES WORKING SOLELY ON A FEDERAL AWARD.

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Auditor of Public Accounts



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NEBRASKA STATE FIRE MARSHAL
INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of the Nebraska State Fire Marshal as of and for the fiscal year ended June 30, 1999, as listed in the Table of Contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Also as discussed in Note 1, the financial statements present only the Nebraska State Fire Marshal, and are not intended to present fairly the fund balances and the receipts and disbursements of the State of Nebraska in conformity with the cash receipts and disbursements basis of accounting.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund balances of the Nebraska State Fire Marshal as of June 30, 1999, and the receipts and disbursements for the fiscal year then ended, on the basis of accounting described in Note 1.

The Year 2000 Issues supplementary information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that Nebraska State Fire Marshal is or will become year 2000 compliant, that Nebraska State Fire Marshal's year 2000 remediation efforts will be successful in whole or in part, or that parties with which Nebraska State Fire Marshal does business are or will become year 2000 compliant.

In accordance with Government Auditing Standards, we have also issued our report dated September 29, 1999, on our consideration of the Nebraska State Fire Marshal's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The accompanying combining statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in dark ink that reads "Julia Peralta CPA". The signature is written in a cursive style.

September 29, 1999

Manager

NEBRASKA STATE FIRE MARSHAL
**COMBINED STATEMENT OF ASSETS, FUND BALANCES
AND OTHER CREDITS ARISING FROM CASH TRANSACTIONS**
GOVERNMENTAL FUND TYPES AND GENERAL FIXED ASSETS ACCOUNT GROUP
June 30, 1999

	Governmental Fund Types		Account Group	
	General	Special Revenue	General Fixed Assets	Totals (Memorandum Only)
Assets				
Cash in State Treasury	\$ -	\$ 3,118,389	\$ -	\$ 3,118,389
Deposit with Vendors	2,390	4,120	-	6,510
Petty Cash	-	50	-	50
Property, Plant, and Equipment	-	-	979,116	979,116
Total Assets	<u>\$ 2,390</u>	<u>\$ 3,122,559</u>	<u>\$ 979,116</u>	<u>\$ 4,104,065</u>
Fund Balances and Other Credits				
Other Credits,				
Investment in Fixed Assets	\$ -	\$ -	\$ 979,116	\$ 979,116
Fund Balances:				
Reserved For Postage	2,390	4,120	-	6,510
Unreserved, Undesignated	<u>\$ -</u>	<u>3,118,439</u>	<u>-</u>	<u>3,118,439</u>
Total Fund Balances and Other Credits	<u>\$ 2,390</u>	<u>\$ 3,122,559</u>	<u>\$ 979,116</u>	<u>\$ 4,104,065</u>

See Notes to Financial Statements.

NEBRASKA STATE FIRE MARSHAL
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES**
For the Fiscal Year Ended June 30, 1999

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
RECEIPTS:			
Appropriations	\$ 1,146,318	\$ -	\$ 1,146,318
Intergovernmental:			
State Underground Storage Tanks Program	-	93,337	93,337
Pipeline Safety	-	64,304	64,304
FEMA - Terrorism Preparedness Training	-	74,263	74,263
Other	5,548	37,241	42,789
Sales and Charges:			
Underground Storage Tank Fee	-	202,360	202,360
Petroleum Release Remedial Action Act (Note 7)	-	526,337	526,337
Pipeline Assessment	-	105,490	105,490
Other	-	241,374	241,374
Miscellaneous:			
Investment Income	-	161,430	161,430
Other	5,469	4,919	10,388
TOTAL RECEIPTS	<u>1,157,335</u>	<u>1,511,055</u>	<u>2,668,390</u>
DISBURSEMENTS:			
Personal Services	824,689	1,945,479	2,770,168
Operating	121,603	258,972	380,575
Travel	164,182	176,772	340,954
Capital Outlay	35,844	82,806	118,650
Government Aid	-	35,700	35,700
TOTAL DISBURSEMENTS	<u>1,146,318</u>	<u>2,499,729</u>	<u>3,646,047</u>
Excess of Receipts Over (Under) Disbursements	<u>11,017</u>	<u>(988,674)</u>	<u>(977,657)</u>
OTHER FINANCING SOURCES (USES):			
Sales of Assets	1,953	4,377	6,330
Operating Transfer In (Note 8)	-	55,381	55,381
Deposits to Department of Environmental Quality (Note 7)	-	(526,337)	(526,337)
Deposits from Department of Insurance (Note 9)	-	1,309,845	1,309,845
Deposits to State General Fund	(12,970)	-	(12,970)
Adjustments to Fund Balance	1,500	-	1,500
TOTAL OTHER FINANCING SOURCES (USES)	<u>(9,517)</u>	<u>843,266</u>	<u>833,749</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	<u>1,500</u>	<u>(145,408)</u>	<u>(143,908)</u>
FUND BALANCE, JULY 1, 1998	<u>890</u>	<u>3,267,967</u>	<u>3,268,857</u>
FUND BALANCE, JUNE 30, 1999	<u>\$ 2,390</u>	<u>\$ 3,122,559</u>	<u>\$ 3,124,949</u>

See Notes to Financial Statements.

NEBRASKA STATE FIRE MARSHAL
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 For the Year Ended June 30, 1999

	GENERAL FUND TYPE			CASH FUND TYPE		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:						
Appropriations	\$ -	\$ 1,146,318	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	5,548	-	-	36,531	-
Sales and Charges	-	-	-	-	1,075,561	-
Miscellaneous	-	5,469	-	-	158,248	-
TOTAL RECEIPTS	-	1,157,335	-	-	1,270,340	-
DISBURSEMENTS:						
Personal Services	-	824,689	-	-	1,718,732	-
Operating	-	121,603	-	-	218,791	-
Travel	-	164,182	-	-	131,000	-
Capital Outlay	-	35,844	-	-	56,788	-
Government Aid	-	-	-	-	-	-
Total Budgeted	1,104,784	1,146,318	(41,534)	2,243,747	2,125,311	118,436
Under Budgeted (Note 10)	58,121	-	58,121	820,513	-	820,513
TOTAL DISBURSEMENTS	1,162,905	1,146,318	16,587	3,064,260	2,125,311	938,949
Excess of Receipts Over (Under) Disbursements		11,017			(854,971)	
OTHER FINANCING SOURCES (USES):						
Sale of Assets		1,953			4,377	
Operating Transfers In		-			55,381	
Deposits to Department of Environmental Quality		-			(526,337)	
Deposits from Department of Insurance					1,309,845	
Deposit to State General Fund		(12,970)			-	
Adjustments to Fund Balance		1,500			10,000	
TOTAL OTHER FINANCING SOURCES (USES)		(9,517)			853,266	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		1,500			(1,705)	
FUND BALANCES, JULY 1, 1998		890			3,042,632	
FUND BALANCES, JUNE 30, 1999	\$	2,390		\$	3,040,927	

See Notes to Financial Statements.

(Continued)

NEBRASKA STATE FIRE MARSHAL
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 For the Year Ended June 30, 1999

	FEDERAL FUND TYPE			ALL FUNDS		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:						
Appropriations	\$ -	\$ -	\$ -	\$ -	\$ 1,146,318	\$ -
Intergovernmental	-	232,614	-	-	274,693	-
Sales and Charges	-	-	-	-	1,075,561	-
Miscellaneous	-	8,101	-	-	171,818	-
TOTAL RECEIPTS	-	240,715		-	2,668,390	-
DISBURSEMENTS:						
Personal Services	-	226,747	-	2,559,785	2,770,168	(210,383)
Operating	-	40,181	-	455,952	380,575	75,377
Travel	-	45,772	-	328,496	340,954	(12,458)
Capital Outlay	-	26,018	-	239,339	118,650	120,689
Government Aid	-	35,700	-	50,000	35,700	14,300
Total Budgeted	285,041	374,418	(89,377)	3,633,572	3,646,047	(12,475)
Under Budgeted (Note 10)	164,094	-	164,094	1,042,728	-	1,042,728
TOTAL DISBURSEMENTS	449,135	374,418	74,717	4,676,300	3,646,047	1,030,253
Excess of Receipts Over (Under) Disbursements		(133,703)			(977,657)	
OTHER FINANCING SOURCES (USES):						
Sale of Assets		-			6,330	
Operating Transfers In		-			55,381	
Deposits to Department of Environmental Quality		-			(526,337)	
Deposits from Department of Insurance		-			1,309,845	
Deposit to State General Fund		-			(12,970)	
Adjustments to Fund Balance		(10,000)			1,500	
TOTAL OTHER FINANCING SOURCES (USES)		(10,000)			833,749	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		(143,703)			(143,908)	
FUND BALANCES, JULY 1, 1998		225,335			3,268,857	
FUND BALANCES, JUNE 30, 1999	\$	81,632		\$	3,124,949	

See Notes to Financial Statements.

(Concluded)

NEBRASKA STATE FIRE MARSHAL
NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 1999

1. Summary of Significant Accounting Policies

The accounting policies of the Nebraska State Fire Marshal are on the basis of accounting as described in the Nebraska Accounting System Manual.

- A. Reporting Entity.** The Nebraska State Fire Marshal (the Agency) is a State agency established under and governed by the laws of the State of Nebraska. As such, the Agency is exempt from State and Federal income taxes. The financial statements include all funds of the Agency. The Agency has also considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the Agency, or the significance of their relationship with the Agency are such that exclusion would be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Agency.

These financial statements present the Nebraska State Fire Marshal. No component units were identified. The Nebraska State Fire Marshal is part of the primary government for the State of Nebraska's reporting entity.

- B. Basis of Accounting.** The accounting records of the Agency are maintained and the Agency's financial statements were prepared on the basis of cash receipts and disbursements. Under this method, revenues are recognized when received and expenditures are recognized when paid. This presentation differs from governmental generally accepted accounting principles (GAAP) which requires the use of the modified accrual basis for governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when they are considered susceptible to accrual and expenditures are recognized when the liability is incurred.
- C. Fund Accounting.** The accounts and records of the Agency are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts which record receipts, disbursements, and the fund balance. The fixed asset account group is a financial reporting device designed to provide accountability for certain assets that are not recorded in the fund because they do

NEBRASKA STATE FIRE MARSHAL

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

not directly affect net expendable available financial resources. The fund types and account group presented on the financial statements are those required by GAAP and include:

General Fund. Reflects transactions related to resources received and used for those general operating services traditionally provided by state government which are not accounted for in any other fund.

Special Revenue Funds. Reflect transactions related to resources received and used for restricted or specific purposes.

General Fixed Assets Account Group. Used to account for general fixed assets of the Agency.

This fund type classification differs from the budgetary fund types used by the Nebraska Accounting System.

The fund types established by the Nebraska Accounting System that are used by the Agency are:

1000 - General Fund - accounts for all financial resources not required to be accounted for in another fund.

2000 - Cash Funds - account for receipts generated by specific activities from sources outside of State government and the disbursements directly related to the generation of the receipts.

4000 - Federal Funds - account for all federal grants and contracts received by the State.

- D. Budgetary Process.** The State's biennial budget cycle ends on June 30 of the odd-numbered years. By September 15, prior to a biennium, the Agency and all other State agencies must submit their budget request for the biennium beginning the following July 1. The requests are submitted on forms that show estimated funding requirements by programs, sub-programs, and activities. The Executive Branch reviews the requests, establishes priorities, and balances the budget within the estimated resources available during the upcoming biennium. The Governor's budget bill is submitted to the Legislature in January. The Legislature considers revisions to the bill and submits the revised appropriation bill to the Governor for

NEBRASKA STATE FIRE MARSHAL

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

signature. The Governor can either: a) approve the appropriation bill in its entirety, b) veto the bill, or c) line item veto certain sections of the bill. Any vetoed bill or line item can be overridden by a three-fifths majority of the Legislature.

The appropriations that are approved will generally set spending limits for a particular program within the agency. Within the agency/program, the Legislature may provide funding from one to five budgetary fund types. Thus, the legal level of control is fund type within program within agency. The central accounting system maintains this control. A separate publication titled "Annual Budgetary Report" shows the detail of this legal level of control. This publication is available from the Department of Administrative Services Accounting Division.

Appropriations are usually made for each year of the biennium with unexpended balances being reappropriated at the end of the first year of the biennium. For most appropriations, balances lapse at the end of the biennium. During fiscal year 1999, the Legislature passed a deficit appropriation bill which increased the allowable disbursement level in several of the programs.

All State budgetary disbursements for the general, cash, and federal fund types are made pursuant to the appropriations that may be amended by the Legislature, upon approval by the Governor. State agencies may reallocate the appropriations between major object of expenditure accounts except that the Legislature's approval is required to exceed the personal service limitations contained in the appropriations bill. Increases in total general and cash fund appropriations must also be approved by the Legislature as a deficit appropriations bill. Appropriations for programs funded in whole or in part from federal funds may be increased to the extent that receipts of federal funds exceed the original budget estimate.

The Agency utilizes encumbrance accounting to account for purchase orders, contracts, and other disbursement commitments. However, State law does not require that all encumbrances be recorded in the State's centralized accounting system and as a result, the encumbrances that were recorded in the accounting system have not been included in the accompanying financial statements except for the impact as described below.

Under State budgetary procedures, appropriation balances related to outstanding encumbrances at the end of the biennium are lapsed and reappropriated in the first

NEBRASKA STATE FIRE MARSHAL

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

year of the next biennium. The effect of the Agency's current procedure is to include in the budget columns, Total Disbursements line, of the Statement of Receipts, Disbursements and Changes in Fund Balances - Budget and Actual the current year's appropriations plus the amounts reappropriated for encumbrances outstanding at the end of the prior biennium. This procedure indicates the Agency's intention to honor the encumbrances at the end of a biennium. The disbursements columns of the Statement include cash payments related to the appropriated and reappropriated amounts. For the year ended June 30, 1999, there were no budgetary funds in which disbursements exceeded appropriations.

Budgets for object of expenditure accounts are included in the Nebraska Department of Administrative Services Budget Status Report. They are budgeted at the program level and not within separate budgetary fund types for the program. As a result, for financial reporting purposes, budget amounts for object of expenditure accounts are shown only for total budgeted funds.

Receipts are not budgeted and therefore there are no budgeted amounts shown on the Budget and Actual Statement.

A reconciliation of the budgetary fund classifications versus GAAP fund classifications as of June 30, 1999, follows:

	BUDGETARY FUND BALANCES	FINANCIAL STATEMENT FUND BALANCES	
		PRIMARY GOVERNMENT	
	Total	General	Special Revenue
PERSPECTIVE DIFFERENCES:			
Classifications of budgetary fund balances into Financial Statement fund structure:			
General	\$ 2,390	\$ 2,390	\$ -
Cash	3,040,927	-	3,040,927
Federal	81,632	-	81,632
Budgetary fund balances classified into Financial Statement fund structure	\$ 3,124,949	-	-
Financial Statement Fund Balances, June 30, 1999		\$ 2,390	\$ 3,122,559

- E. Fixed Assets.** General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as disbursements in governmental funds and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical

NEBRASKA STATE FIRE MARSHAL

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Assets on hand as of June 30, 1999, have been recorded at cost or estimated cost by the Agency. Generally, equipment which has a cost in excess of \$50 at the date of acquisition and has an expected useful life of two or more years is capitalized.

Assets in the general fixed assets account group are not depreciated. Fixed assets do not include infrastructure such as roads and bridges, as these assets are immovable and of value only to the government. The cost of normal maintenance and repairs that do not add to the value of the asset or extend asset life is not capitalized.

- F. Cash in State Treasury.** Cash in the State Treasury represents the cash balance of a fund as reflected on the Nebraska Accounting System. Investment of all available cash is made by the State Investment Officer on a daily basis based on total bank balances. Investment income is distributed based on the average daily book cash balance of funds designated for investment. Determination of whether or not a fund is considered designated for investment is done on an individual fund basis. All of the funds of the Agency, except for the General Cash account and Training Division Cash account of Fund 4121, Fire Marshal Federal fund_were designated for investment during fiscal year 1999.
- G. Adjustments to Fund Balance.** Adjustments to Fund Balance transactions would be those recorded directly to a fund's asset or equity accounts rather than through a receipt or disbursement account.
- H. Inventories.** Disbursements for items of an inventory nature are considered expended at the time of purchase rather than at the time of consumption.
- I. Compensated Absences.** All permanent employees working for the Agency earn sick and annual leave and some classifications are allowed to accumulate compensatory leave rather than being paid overtime. Temporary and intermittent employees and Board and Commission members are not eligible for paid leave. Under GAAP the vested portion of the employee's compensated absences is recorded in the Long Term Debt Account Group for governmental funds. Under the 'receipts and disbursements basis of accounting' the balances which would be reported in the Long Term Debt Account Group are not reported as they do not represent balances arising from Cash Transactions.

NEBRASKA STATE FIRE MARSHAL

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

J. Receipts. The major account titles and descriptions as established by the Nebraska Accounting System that are used by the Agency are:

Appropriations. Appropriations are granted by the Legislature to make disbursements and to incur obligations. The amount of appropriations reported as receipts is the amount spent.

Intergovernmental. Receipts from the U.S. Environmental Protection Agency for the State Underground Storage Tank Program, from the Department of Transportation for the Pipeline Safety Grant Program, from National Emergency Training Center for Terrorism Preparedness Training and others.

Sales and Charges. Income derived from charges for various licenses, permits, and fees, including the following: Underground Storage Tank Fees, Pipeline Assessment, Petroleum Release Remedial Action Act – LB 289, and others.

Miscellaneous. Receipts from sources not covered by other major categories. (Primarily investment income)

K. Disbursements. The major account titles and descriptions as established by the Nebraska Accounting System that are used by the Agency are:

Personal Services. Salaries, wages, and related employee benefits provided for all persons employed by a government.

Operating. Disbursements directly related to a program's primary service activities.

Travel. All travel disbursements for any state officer, employee, or member of any commission, council, committee, or board of the State.

Capital Outlay. Disbursements which result in the acquisition of or an addition to fixed assets. Fixed assets are resources of a long-term character owned or held by the government.

NEBRASKA STATE FIRE MARSHAL

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. **Summary of Significant Accounting Policies (Concluded)**

Government Aid. Payment of Federal and/or State money to governmental subdivisions, State agencies, local health and welfare offices, individuals, etc., in furtherance of local activities and accomplishment of State programs.

L. Fund Balance Reservations. Reservations of fund balance are established to identify the existence of assets that have been legally segregated for specific purposes. Reservations of fund balance are also established for assets which are not current in nature, such as deposits for postage.

2. **Totals**

The Totals "Memorandum Only" column represents an aggregation of individual account balances. The column is presented for overview informational purposes and does not present consolidated financial information since interfund balances and transactions have not been eliminated.

3. **Contingencies and Commitments**

Risk Management. The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and health care insurance. The Agency, as part of the primary government for the State, participates in the State's risk management program. The Nebraska Department of Administrative Services (DAS) Division of Risk Management is responsible for maintaining the insurance and self-insurance programs for the State. The State has chosen not to purchase insurance except for:

1. Motor vehicle liability which is insured for the first \$5 million of exposure per accident. Insurance is also purchased for medical payments, physical damage and uninsured and underinsured motorists with various limits and deductibles.
2. Health care insurance for employees selecting certain coverage options. All health care insurance was purchased.
3. Employee dishonesty which is bonded for the first \$1 million annually with a \$10,000 retention per incident.
4. Real and personal property on a blanket basis including the perils of Flood and Earthquake for net loss in excess of \$100,000 per loss occurrence, with a limit of

NEBRASKA STATE FIRE MARSHAL

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. **Contingencies and Commitments (Concluded)**

\$250,000,000 per loss occurrence. Newly acquired properties are only covered up to \$1,000,000 for 30 days or until the value of the property is reported to the insurance company.

No settlements exceeded commercial insurance coverage in any of the past three fiscal years. Health care insurance is funded in the Risk Management Internal Service Fund through a combination of employee and State contributions. Workers compensation is also funded in the Risk Management Internal Service Fund through assessments on each agency based on total agency payroll and past experience. Tort claims, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters would be funded through the State General Fund or by individual agency assessments as directed by the Legislature, unless covered by purchased insurance. No amounts for estimated claims have been reported in the Nebraska State Fire Marshal's financial statements.

Litigation. The potential amount of liability involved in litigation pending against the Agency, if any, could not be determined at this time. However, it is the Agency's opinion that final settlement of those matters should not have an adverse effect on the Agency's ability to administer current programs. Any judgement against the Agency would have to be processed through the State Claims Board and be approved by the Legislature.

4. **State Employees' Retirement Plan (Plan)**

The Plan is a single-employer defined contribution plan administered by the Public Employees Retirement Agency in accordance with the provisions of the State Employees Retirement Act and may be amended through legislative action. In the defined contribution plan, retirement benefits depend on total contributions, investment earnings, and the investment options selected. Membership in the Plan is required of all permanent full-time employees on reaching the age of thirty and completion of twenty-four months of continuous service and voluntary participation is permitted for all permanent full-time or part-time employees upon reaching age twenty and twelve months of service within a five-year period, except any individual appointed by the Governor may elect not to become a member of the Plan.

Employees contribute 4.33% of their monthly compensation until such time as they have paid during any calendar year a total of eight hundred sixty four dollars, after which time they shall pay a sum equal to 4.8% of their monthly compensation for the remainder of such calendar year. The Agency matches the employee's contribution at a rate of 156% of the employee's contribution.

NEBRASKA STATE FIRE MARSHAL

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. **State Employees' Retirement Plan (Plan) (Concluded)**

The employee's account is fully vested. The employer's account is vested 100% after five years participation in the plan or at retirement.

For the Fiscal Year Ended June 30, 1999, employees contributed \$90,051 and the Agency contributed \$141,883.

5. **Fixed Assets**

The following is a summary of changes in the general fixed assets account group during the fiscal year:

	Balance July 1, 1998	Additions	Retirements	Balance June 30, 1999
Equipment	\$ 879,736	\$ 107,002	\$ 7,622	\$ 979,116

6. **Full Accountability of the General Fund**

Only the cash transactions are reported on the financial statements for this fund. They do not show appropriations. To show the full accountability over this fund the following schedule reflects appropriations. Appropriations do not represent cash transactions.

General Fund

Beginning (Reappropriated) Balance July 1,	\$ 45,786
New Appropriations	1,117,119
Total Appropriations	1,162,905
Disbursements	<u>(1,146,318)</u>
Ending (Appropriations) Balance June 30,	<u>\$ 16,587</u>

7. **Petroleum Release Remedial Action Act**

State Statute Section 66-1520, R.S. Supp., 1998, requires the Nebraska State Fire Marshal to collect a petroleum release remedial action fee which is remitted to the State Treasurer for deposit into Fund 2849. The collections are reflected as Sales and Charges and then shown as Deposits to Department of Environmental Quality for Fund 2849. The Department of Environmental Quality maintains and is responsible for this Fund.

NEBRASKA STATE FIRE MARSHAL

NOTES TO FINANCIAL STATEMENTS

(Continued)

8. Operating Transfer In

State Statute Section 66-1519, R.S. Supp., 1998, allows for the fee collection expenses, incurred by the State Fire Marshal for the Petroleum Release Remedial Action Act, to be reimbursed. This reimbursement is reflected as a Transfer In for Fund 2211.

9. Deposits from Department of Insurance

State Statute Section 81-523, R.R.S. 1996, created a separate cash fund to be known as the Fire Insurance Tax Fund (Fund 2122). Any tax collected by the Department of Insurance on fire insurance business done in the state by insurance companies shall be deposited in the State treasury and shall be credited by the State Treasurer to the Fire Insurance Tax Fund. Expenditures shall be made from such fund to maintain the office of the Nebraska State Fire Marshal for the purpose of fire investigation, detection and suppression of arson, and other fire prevention activities. These taxes are reflected as Deposits from Department of Insurance.

10. Under Budgeted

The amount budgeted by the Nebraska State Fire Marshal in the Budget Status report for the General Fund was \$58,121 lower than the amount of the appropriation. The amount budgeted was \$820,513 lower for the Cash funds and \$164,094 lower for the Federal fund than the appropriation. The Nebraska State Fire Marshal submits to the Budget Status the amount submitted in the Budget Request for the fiscal year. This is usually not the amount actually appropriated, and also will not include amounts carried over from the prior year appropriation.

NEBRASKA STATE FIRE MARSHAL
COMBINING STATEMENT OF ASSETS AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
ALL SPECIAL REVENUE FUNDS
June 30, 1999

	Fire Insurance Tax Fund 2122	Pipeline Safety Fund 2123	State Fire Marshal Fund 2125	Underground Storage Tank Fund 2211	Fire Marshal Federal Fund 4121	Total Special Revenue Funds
Assets						
Cash in State Treasury	\$ 1,536,980	\$ 484,548	\$ 593,872	\$ 421,357	\$ 81,632	\$ 3,118,389
Deposit with Vendors	3,140	-	980	-	-	4,120
Petty Cash	25	-	25	-	-	50
Total Assets	<u>\$ 1,540,145</u>	<u>\$ 484,548</u>	<u>\$ 594,877</u>	<u>\$ 421,357</u>	<u>\$ 81,632</u>	<u>\$ 3,122,559</u>
Fund Balances						
Fund Balances:						
Reserved	\$ 3,140	\$ -	\$ 980	\$ -	\$ -	\$ 4,120
Unreserved, Undesignated	<u>1,537,005</u>	<u>484,548</u>	<u>593,897</u>	<u>421,357</u>	<u>81,632</u>	<u>3,118,439</u>
Total Fund Balances	<u>\$ 1,540,145</u>	<u>\$ 484,548</u>	<u>\$ 594,877</u>	<u>\$ 421,357</u>	<u>\$ 81,632</u>	<u>\$ 3,122,559</u>

NEBRASKA STATE FIRE MARSHAL
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS**
For the Fiscal Year Ended June 30, 1999

	Fire Insurance Tax Fund 2122	Pipeline Safety Fund 2123	State Fire Marshal Fund 2125	Underground Storage Tank Fund 2211	Petroleum Release Fund 2849	Fire Marshal Federal Fund 4121	Total Special Revenue Funds
RECEIPTS:							
Intergovernmental:							
State Underground Storage Tanks Program	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 93,337	\$ 93,337
Pipeline	-	-	-	-	-	64,304	64,304
FEMA - Terrorism Training	-	-	-	-	-	74,263	74,263
Other	32,631	-	3,900	-	-	710	37,241
Sales and Charges:							
Underground Storage Tank Fee	-	-	-	202,360	-	-	202,360
Petroleum Release Remedial Action Act - LB289	-	-	-	-	526,337	-	526,337
Pipeline Assessment	-	105,490	-	-	-	-	105,490
Other	-	-	241,003	371	-	-	241,374
Miscellaneous:							
Investment Income	48,859	22,287	51,545	30,656	-	8,083	161,430
Other	264	-	4,632	5	-	18	4,919
TOTAL RECEIPTS	81,754	127,777	301,080	233,392	526,337	240,715	1,511,055
DISBURSEMENTS:							
Personal Services	989,007	5,376	497,568	226,781		226,747	1,945,479
Operating	127,962	241	15,195	75,393		40,181	258,972
Travel	89,167	142	14,617	27,074		45,772	176,772
Capital Outlay	15,357	-	118	41,313		26,018	82,806
Government Aid	-	-	-	-		35,700	35,700
TOTAL DISBURSEMENTS	1,221,493	5,759	527,498	370,561		374,418	2,499,729
Excess of Revenues Over(Under) Disbursements	(1,139,739)	122,018	(226,418)	(137,169)	526,337	(133,703)	(988,674)
OTHER FINANCING SOURCES (USES)							
Sale of Assets	-	-	4,377	-	-	-	4,377
Operating Transfer In	-	-	-	55,381	-	-	55,381
Deposits to Department of Environmental Quality	-	-	-	-	(526,337)	-	(526,337)
Deposits from Department of Insurance	1,309,845	-	-	-	-	-	1,309,845
Adjustments to Fund Balance	-	-	10,000	-	-	(10,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	1,309,845	-	14,377	55,381	(526,337)	(10,000)	843,266
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	170,106	122,018	(212,041)	(81,788)	-	(143,703)	(145,408)
Fund Balance, July 1, 1998	1,370,039	362,530	806,918	503,145	-	225,335	3,267,967
Fund Balance, June 30, 1999	\$ 1,540,145	\$ 484,548	\$ 594,877	\$ 421,357	\$ -	\$ 81,632	\$ 3,122,559

NEBRASKA STATE FIRE MARSHAL

Program 225 General Operations

Performance Measures

FIRE PREVENTION ACTIVITIES	Calendar 1998	Calendar 1997	Calendar 1996
Simulator Trailer-site	59	54	28
Simulator Trailer-participants	12,045	10,293	2,938
Simulator Staff (average)	2	2	3
Staff Cost per hour (average)	\$ 15.81	\$ 15.39	\$ 15.01
PLANS REVIEWS	Fiscal Year 1999	Fiscal Year 1998	Fiscal Year 1997
Plans Reviewed	1,647	1,583	1,629
Value of Projects	\$ 631,017,612	\$ 510,526,687	\$ 506,972,915
Fees Received	\$ 82,142	\$ 73,138	\$ 79,553
INSPECTIONS - INITIAL AND REVISITS	Fiscal Year 1999	Fiscal Year 1998	
Initial Visits - Hours	6,696.50	5,072.00	
Revisits - Hours	2,971.75	3,021.00	
Travel, Report Writing and Consultation	11,818.25	8,647.60	
FIREWORKS	Fiscal Year 1999	Fiscal Year 1998	
Initial Inspection - Hours	166.00	352.75	
Revisits	29.00	19.25	
Consultation	73.75	58.25	
Surveillance (out-state transport)	24.00	58.75	
Inspection Deputies Involved	15	15	
Arson Investigators Involved	8	8	
STATE EMERGENCY RESPONSE TEAM	Fiscal Year 1999	Fiscal Year 1998	
Training/Meeting - Hours	917.25	540.25	
Coordination	91.25	35.75	
Physical Fitness	624.00	598.50	
HazMat Incidents - Hours	58.00	68.75	
HazMat Incidents Followup	8.75	3.75	
INVESTIGATIONS	Fiscal Year 1999	Fiscal Year 1998	
Fire, Accidental - Hours	1,679.25	1,995.50	
Fire, Followup, Accidental - Hours	1,514.00	1,492.00	
Fire, Followup, Criminal - Hours	2,767.50	2,607.75	
Fire, Criminal - Hours	823.25	687.50	
Investigative Meeting - Hours	268.25	161.25	
Fire, Still Under Investigation - Hours	518.25	516.00	
Fire, S.U.I. Followup - Hours	595.50	698.00	
Incident, Criminal - Hours	164.50	66.25	
Incident, Criminal Followup - Hours	286.25	153.00	
Court - Hours	187.00	279.75	
Deposition - Hours	20.75	34.00	
Number of Investigators statewide	8	8	

NEBRASKA STATE FIRE MARSHAL

Program 226 Pipeline Safety

Performance Measures

	Fiscal Year 1999	Fiscal Year 1998	Fiscal Year 1997
Inspect private gas pipeline operators	5 of 6	4 of 5	4 of 6
Inspect municipal gas pipeline operators	11 of 15	8 of 15	6 of 14
Inspect master meters	1 of 2	1 of 2	1 of 2
Inspect liquefied petroleum gas system	0 of 2	1 of 2	1 of 2
Inspect intrastate gas transmission line	1 of 4	2 of 4	1 of 4
Conduct 3-day seminar	1	1	1
Conduct inspection-person-day	246	200	175

Nebraska State Fire Marshal
Program 227 Underground Storage Tanks
Performance Measures

	Fiscal Year 1999	Fiscal Year 1998	Fiscal Year 1997
Underground Storage Tank Safety Inspections	2,795	2,428	2,100
Inspection (Cost per hour)	\$ 169	\$ 178	\$ 187
Reported Releases	235	134	128

NEBRASKA STATE FIRE MARSHAL

REQUIRED SUPPLEMENTARY INFORMATION

Year 2000 Issues. Many computer-based financial, information and operational systems may not be able to properly interpret and apply some dates before and following December 31, 1999 (commonly referred to as the Year 2000 problem or the Y2K problem). If not corrected, malfunction of these systems could adversely impact information processing and system operations.

Statewide systems

The State recognized this problem prior to 1995 and has been working on a resolution of the issue since that time. A formal plan was developed and has been revised and expanded, as additional information has become available. Two Statewide systems have been identified as critical to the Nebraska State Fire Marshal. They are the accounting system (commonly referred to as NAS) and the payroll system (commonly referred to as NEIS. These systems have been evaluated, repaired and tested for the ability to process transactions in the year 2000 and beyond.

It is important to note the completion of these stages is NOT a guarantee that system and equipment will be year 2000 compliant.

STATE OF NEBRASKA
Auditor of Public Accounts



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NEBRASKA STATE FIRE MARSHAL
**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the Nebraska State Fire Marshal as of and for the year ended June 30, 1999, and have issued our report thereon dated September 29, 1999. The report notes the financial statements were prepared on the basis of cash receipts and disbursements, was modified to emphasize that the financial statements present only the funds of the Nebraska State Fire Marshal and an explanatory paragraph was added disclaiming an opinion on Required Supplementary Information-Year 2000 issues. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Nebraska State Fire Marshal's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. We noted certain immaterial instances of noncompliance that we have reported to management of the Nebraska State Fire Marshal in the Comments Section of this report as Comment Number 2 (Deposit of Receipts) and Comment Number 3 (Federal Payroll Documentation).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska State Fire Marshal's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting

would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted another matter involving the internal control over financial reporting that we have reported to management of Nebraska State Fire Marshal in the Comments Section of this report as Comment Number 1 (Cost of Services).

This report is intended solely for the information and use of the agency, the appropriate Federal and regulatory agencies and citizens of the State of Nebraska and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Julia Peralta CPA". The signature is written in a cursive style.

Manager

September 29,1999