AUDIT REPORT
OF THE
NEBRASKA STATE ELECTRICAL DIVISION

JULY 1, 1998 THROUGH JUNE 30, 1999

NEBRASKA STATE ELECTRICAL DIVISION

TABLE OF CONTENTS

BACKGROUND

The State Electrical Division (Division) includes the State Electrical Board, which has seven members who are appointed by the governor and serve five-year terms. Members include a journeyman electrician, an electrical contractor or master electrician, a certified electrical inspector, a general building or housing contractor, a registered professional engineer, a state rural electric systems representative, and a state municipal electric systems representative. The Board holds regular scheduled meetings to set the policies, promulgate regulations, hear and rule on appeals, and give directions to the executive director.

The Division's major duties include:

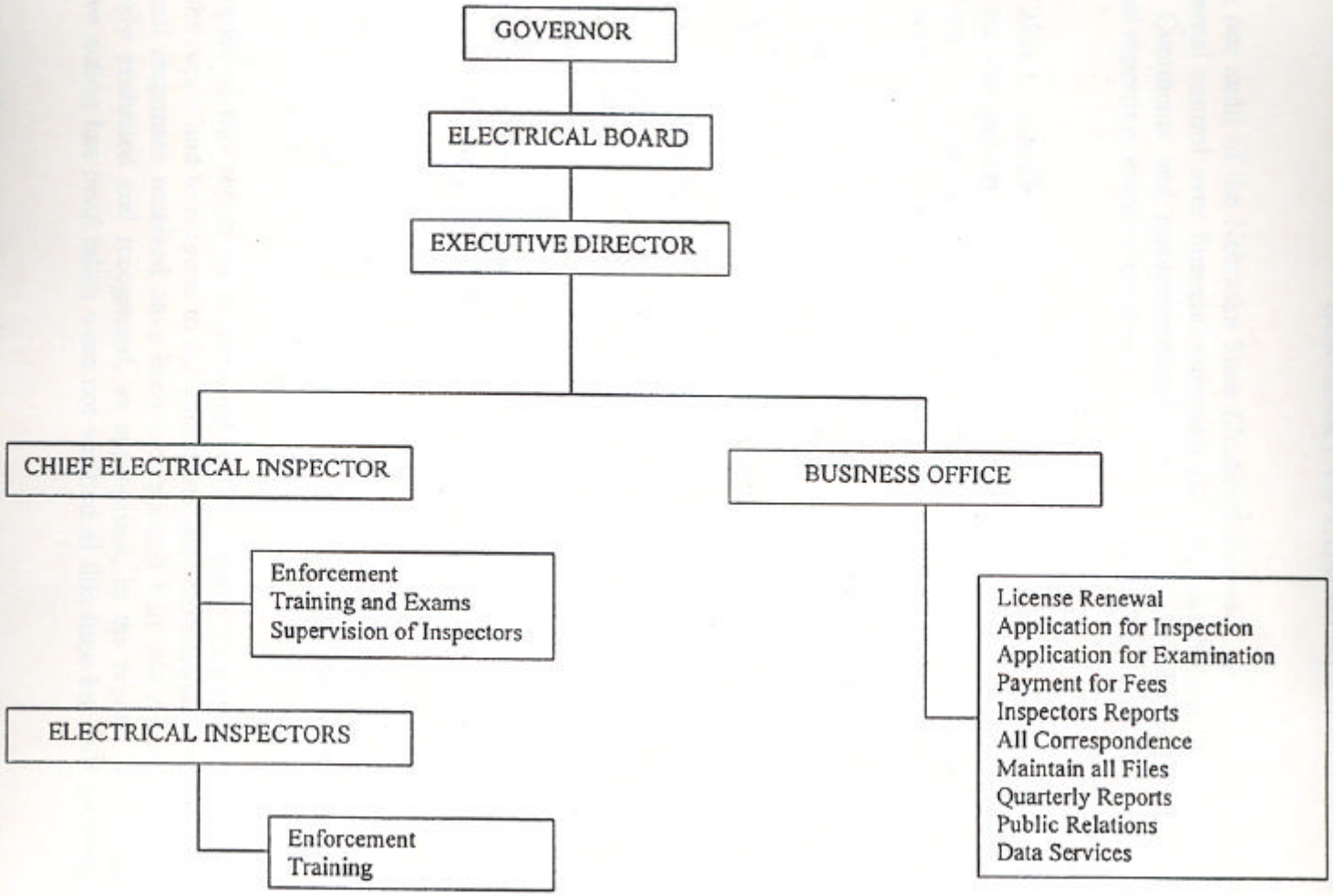
- licensing electricians
- enforcing minimum wiring standards, as outlined in the current edition of the National Electrical Code
- inspecting electrical installations
- investigating electrical fires, accidents, and electrocutions

Program 197 is funded with cash funds received from occupational license fees and inspection fees. The Division employed an Executive Director, 13 inspectors, and two secretaries at June 30, 1999.

MISSION STATEMENT

The mission of the Nebraska State Electrical Division is to protect the public from hazardous electrical installations by enforcing the electrical licensing and inspection laws created by the Nebraska Legislature.

NEBRASKA STATE ELECTRICAL BOARD ORGANIZATIONAL CHART



SUMMARY OF COMMENTS

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

1. ***Fixed Asset Procedures:*** There was no written policy for accounting for fixed assets, and one person performed all functions of accounting for furniture and equipment. The cost of fixed assets is not recorded on the list, as required by generally accepted accounting principles (GAAP).

2. ***Deposits of Receipts:*** Nine out of 35 receipts tested were not deposited within ten days of being received, as required by Neb. Rev. Stat. Section 81-118, R.R.S. 1996, during fiscal year 1999. The receipts exceeded the statutory limit by a range of one to 11 days. The Division receipted over $900,000 in fiscal year 1999.

3. ***Costs of Activities:*** The Division did not have a system to accumulate the costs of their major activities and to compare the costs with the fees collected for those activities. A prior audit report had noted the fees collected for inspections did not cover the costs of the inspections.

4. ***Incorrect Termination payments:*** Two termination payments made during the fiscal year were overpaid by $355 and $15 due to errors made.

More detailed information on the above items is provided hereafter. It should be noted 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. 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.

COMMENTS AND RECOMMENDATIONS

1. Fixed Asset Procedures

During our audit of fixed assets, we noted one person performed all functions of accounting for the furniture and equipment with no compensating review by another employee. There was no written policy for accounting for fixed assets. The list of furniture and equipment did not include the voucher number, purchase date, or purchase cost.

Good internal control requires a segregation of duties or compensating controls. Good accounting practice requires policies to be in writing to ensure consistency and avoid confusion. GAAP requires the cost amount of general fixed assets to be included in the financial statements. GASB Cod.Sec.1400.106 and 1400.111.

A lack of segregation of duties and the absence of written policies increases the risk of undetected errors or loss. Purchase costs need to be added to the fixed asset list in order for the financial statements to be in accordance with GAAP.

> We recommend the Division establish written policies to account for fixed assets, which include a review of items added and deleted from the list by a second individual. In addition, we recommend purchase costs be added to the list.

EXECUTIVE DIRECTOR'S RESPONSE: THE DIVISION WILL ESTABLISH A WRITTEN POLICY AS RECOMMENDED.

2. Deposits of Receipts

During the time of the audit period, Neb. Rev. Stat. Section 81-118, R.R.S. 1996, required, "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 . . ." Beginning August 28, 1999, Neb. Rev. Stat. Section 84-710 R.S. Supp. 1999 requires deposits to be made to the State Treasurer within three business days of receipt when the aggregate amount is $500 or more, and within seven days when the aggregate amount is less than $500. Good internal control requires receipts be deposited intact and promptly.

During our testing, we noted nine out of 35 receipts tested were not deposited within ten days of being received. The receipts exceeded the statutory limitation in effect at the time by a range of one to 11 days.

Late deposits cause a loss of interest to the state and an increased risk of loss or misuse of government funds. The Division receipted over $900,000 during fiscal year 1999.

> We recommend the Division comply with the statutory requirements for depositing receipts within the set time limits.

COMMENTS AND RECOMMENDATIONS

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

EXECUTIVE DIRECTOR'S RESPONSE: THE DIVISION STRIVES TO COMPLY WITH STATUTORY REQUIREMENTS FOR DEPOSITING RECEIPTS WITHIN THE SET TIME LIMITS. THE MISTAKES OCCURRED DURING A TIME PERIOD WHEN BOTH OFFICE STAFF POSITIONS WERE FILLED BY NEW EMPLOYEES.

3. **Costs of Activities**

The Division did not have a system to accumulate, on an annual basis, the costs of their major activities, including an allocation of administrative costs. Fees were collected related to these activities, and the amount collected was not compared to the costs of the services.

Good fiscal policy requires the inclusion of cost information to determine the efficiency of providing various services from year to year, and to allow a comparison of the cost of providing a service to the amount of fees collected for the service.

The prior report noted, for that audit period, the fees received for inspections were less than the costs of inspections, and it appeared the fees collected for the licensing activity for the two-year renewal cycle were more than the costs. Without a system to accumulate the costs of these activities the Board does not have the information needed to make decisions regarding appropriate amounts for the various fees.

> We recommend the Division establish a system to accumulate the costs of the major activities. This could be done on the State accounting system. We also recommend the Board compare the costs of activities to the fees collected to determine whether the fees are at an appropriate level.

BOARD PRESIDENT'S RESPONSE: THE MISSION OF THE STATE ELECTRICAL DIVISION IS TO PROVIDE FOR PUBLIC SAFETY BY ENFORCING THE MINIMUM REQUIREMENTS OF THE NATIONAL ELECTRICAL CODE. THERE EXISTS A PRESUPPOSITION QUALIFIED INDIVIDUALS FAMILIAR WITH THE TENETS OF THE CODE WILL BE THE RESPONSIBLE PARTIES MAKING THE INSTALLATIONS. ADMINISTRATIVE RULES AND REGULATIONS TO PROVIDE LICENSING TO DEMONSTRATE A CERTAIN LEVEL OF EXPERTISE ARE IN PLACE, HAVING THEIR HISTORICAL ORIGIN IN THE DAYS OF THE GUILD. THE ADMINISTRATION OF LICENSING REQUIREMENTS IS PART OF THE OVERALL MISSION TO PROVIDE FOR PUBLIC SAFETY, THEREFORE, IN THE SAME FASHION REQUIRING (AND PROVIDING) CONTINUING EDUCATION IS, OR DISSEMINATING PUBLISHED INFORMATION, OR PROVIDING INSPECTION SERVICES. THE MISSION OF THE DIVISION IS SINGULAR, BUT COMPOSED OF MULTIPLE OBJECTIVES WHICH MUST BE MET TO ATTAIN THAT GOAL.

IT HAS BEEN SUGGESTED A PAIR OF SUBPROGRAMS BE INITIATED, ONE FOR PERMITS AND INSPECTIONS, AND ONE FOR LICENSING, THE RATIONALE FOR THIS BEING EACH FACET SHOULD PAY ITS OWN WAY. THIS IS CONTRARY TO THE WAY THE STATE ELECTRICAL

COMMENTS AND RECOMMENDATIONS

3. **Costs of Activities** (Concluded)

DIVISION WAS CONCEIVED, AND TO ITS MISSION. REVENUE, WHETHER GENERATED BY SELLING COPIES OF THE STATE ELECTRICAL ACT, BY PROVIDING CONTINUING EDUCATION, BY PERMIT ISSUANCE, OR LICENSE FEES, IS USED TO CARRY OUT THE SINGLE MISSION OF PUBLIC SAFETY.

TO ATTAIN THE OVERALL GOAL OF OUR MISSION STATEMENT, WE MUST HAVE ADEQUATE FUNDING. WHILE LAUDABLE FROM AN ACCOUNTING VIEW, ADJUSTING LICENSE FEES AND PERMIT FEES TO MAKE EACH SUBPROGRAM SELF SUFFICIENT IS NOT FEASIBLE: CONSTRUCTION IS CYCLICAL, AND THEREFORE SO IS PERMIT FEE REVENUE, WHILE THE MISSION OF THE DIVISION IS CONSTANT. FURTHER, EXPERIENCE DICTATES A LARGE INCREASE IN PERMIT FEES RESULTS IN LESS PERMIT APPLICATIONS. LICENSE FEES ARE A CONSTANT, RELIABLE, PREDICTABLE SOURCE OF REVENUE. LICENSE HOLDERS PREFER RENEWAL TO REEXAMINATION, AND DO NOT FEEL THE FEE STRUCTURE TO BE EXORBITANT.

THE CONCEPT OF THE PRESENT SYSTEM HAS ITS ROOTS IN THE FLEXIBILITY NEEDED TO ATTAIN OUR MISSION STATEMENT. MODIFICATION TO THAT SYSTEM WILL RESULT IN A LESS EFFECTIVE DIVISION. I SUBMIT WE CAN DEMONSTRATE RESPONSIBLE FISCAL TRACKING, AND ACCOUNT FOR REVENUES AND EXPENDITURES. IN THE SAME WAY REVENUE FROM CONTINUING EDUCATION COURSES WE OFFER IS CONSOLIDATED INTO THE ""LICENSING SUBPROGRAM", INSTEAD OF BEING CALLED ITS OWN SUBPROGRAM, WITH ITS OWN REVENUES AND EXPENSES, WE MUST CONTINUE TO KEEP CONSOLIDATED THE LICENSING AND PERMIT FACETS OF THE DIVISION.

AUDITORS' RESPONSE: EVEN IF THE BOARD DETERMINES ITS' MISSION IS BEST SERVED BY NOT CHANGING FEES, WE ENCOURAGE YOU TO ANNUALLY DETERMINE THE COSTS OF YOUR MAJOR ACTIVITIES IN ORDER TO TRACK EFFICIENCY AND PROVIDE MANAGEMENT DECISION-MAKING INFORMATION.

4. **Incorrect Termination Payments**

Our recalculation of two termination payments made during the fiscal year noted both had been paid incorrect amounts. For one employee, the percentage of the final pay period worked had not been entered on the Payroll Attendance report, so two weeks were paid instead of the one week worked. The amount of leave earned for the final pay period was incorrectly calculated for both payments. The resulting overpayments were $355 and $15.

The Nebraska Employee Information System (NEIS) User's Manual has procedures to submit payroll when less than a full pay period is worked, and to calculate leave earned on a partial pay period. Good internal control would require following these procedures and rechecking the calculation of termination payments before distributing the final pay.

COMMENTS AND RECOMMENDATIONS

4. Incorrect Termination Payments (Concluded)

We recommend the Division follow NEIS procedures for calculating and submitting final termination payments. We also recommend the payments be rechecked before distributing. The Division should also determine what corrective action should be taken on the overpayments made during fiscal year 1999.

EXECUTIVE DIRECTOR'S RESPONSE: THE DIVISION FOLLOWS NEIS PROCEDURES FOR CALCULATING AND SUBMITTING FINAL TERMINATION PAYMENTS. THE PAYMENTS WILL BE RECHECKED IN THE FUTURE.

STATE OF NEBRASKA
Auditor of Public Accounts

Kate Witek
State Auditor
kwitek05@nol.org

P.O. Box 98917
Suite 2303, State Capitol
Lincoln, NE 68509
402-471-2111, FAX 402-471-3301

NEBRASKA STATE ELECTRICAL DIVISION

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of the Nebraska State Electrical Division 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 Electrical Division, 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 Electrical Division 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.

In accordance with Government Auditing Standards, we have also issued our report dated July 3, 2000, on our consideration of the Nebraska State Electrical Division's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The accompanying schedule is presented for purposes of additional analysis and is 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.

Julia Peralez CPA

July 3, 2000 Manager

NEBRASKA STATE ELECTRICAL DIVISION

STATEMENT OF ASSETS AND FUND BALANCES

ARISING FROM CASH TRANSACTIONS

SPECIAL REVENUE FUND TYPE

June 30, 1999

	Governmental Fund Type	
	Special Revenue	
Assets		
Cash in State Treasury	$	977,797
Deposit with Vendors		1,549
Total Assets	$	979,346
Fund Balances		
Fund Balances:		
Reserved For Postage	$	1,549
Unreserved, Undesignated		977,797
Total Fund Balances	$	979,346

See Notes to Financial Statements.

NEBRASKA STATE ELECTRICAL DIVISION

STATEMENT OF RECEIPTS, DISBURSEMENTS

AND CHANGES IN FUND BALANCES

For the Fiscal Year Ended June 30, 1999

	Governmental Fund Type Special Revenue
RECEIPTS:	
Sales and Charges:	
Inspection Fees	$ 532,922
Renewal Fees	336,972
Other Sales and Charges	75,200
Miscellaneous:	
Interest	52,262
Other Miscellaneous	1,507
TOTAL RECEIPTS	998,863
DISBURSEMENTS:	
Personal Services	633,801
Operating	144,729
Travel	85,784
Capital Outlay	57,417
TOTAL DISBURSEMENTS	921,731
Excess of Receipts Over (Under) Disbursements	77,132
OTHER FINANCING SOURCES (USES),	
Sales of Assets	160
TOTAL OTHER FINANCING SOURCES (USES)	160
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	77,292
FUND BALANCE, JULY 1, 1998	902,054
FUND BALANCE, JUNE 30, 1999	$ 979,346

See Notes to Financial Statements.

NEBRASKA STATE ELECTRICAL DIVISION

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Year Ended June 30, 1999

	CASH FUND		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:			
Sales and Charges:			
Inspection Fees		$ 532,922	
Renewal Fees		336,972	
Other Sales and Charges		75,200	
Miscellaneous:			
Interest		52,262	
Other Miscellaneous		1,507	
TOTAL RECEIPTS		998,863	
DISBURSEMENTS:			
Personal Services	$ 661,816	633,801	$ 28,015
Operating	197,800	144,729	53,071
Travel	106,000	85,784	20,216
Capital Outlay	96,902	57,417	39,485
TOTAL DISBURSEMENTS	1,062,518	921,731	140,787
Excess of Receipts Over (Under) Disbursements		77,132	
OTHER FINANCING SOURCES (USES):			
Sale of Assets		160	
TOTAL OTHER FINANCING SOURCES (USES)		160	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		77,292	
FUND BALANCES, JULY 1, 1998		902,054	
FUND BALANCES, JUNE 30, 1999		$ 979,346	

See Notes to Financial Statements.

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 Electrical Division are on the basis of accounting as described in the Nebraska Accounting System Manual.

A. Reporting Entity. The Nebraska State Electrical Division (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 Electrical Division. No component units were identified. The Nebraska State Electrical Division 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 fund type presented on the financial statements is the special revenue fund type which reflects transactions related to resources received and used for restricted or specific purposes.

1. Summary of Significant Accounting Policies (Continued)

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

The fund type established by the Nebraska Accounting System that is used by the Agency is the cash fund (2000) which accounts for receipts generated by specific activities from sources outside of State government and the disbursements directly related to the generation of the receipts.

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 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 1998, the Legislature passed a deficit appropriation bill which increased the allowable disbursement level in the program.

All State budgetary disbursements for the cash fund type 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

1. Summary of Significant Accounting Policies (Continued)

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 cash fund appropriations must also be approved by the Legislature as a deficit appropriations bill.

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 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

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

There is no difference between the fund balance of the Budgetary Statement and the Financial Statement. The cash fund on the Budgetary Statement is appropriately classified as a special revenue fund for Financial Statement purposes.

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. Under GAAP the cost of general fixed assets would be recorded in the General Fixed Asset Account Group.

1. Summary of Significant Accounting Policies (Continued)

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. The Agency's fund was designated for investment during fiscal year 1999.

G. Inventories. Disbursements for items of an inventory nature are considered expended at the time of purchase rather than at the time of consumption.

H. Compensated Absences. All permanent employees working for the Agency earn sick and annual leave and 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.

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

Sales and Charges. Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees. This consists primarily of inspection fees and license renewal fees.

Miscellaneous. Receipts from sources not covered by other major categories. This consists primarily of investment interest.

J. 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.

1. Summary of Significant Accounting Policies (Concluded)

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.

K. 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 postage deposits.

2. 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 $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.

2. Contingencies and Commitments (Concluded)

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 Electrical Division'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.

3. 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.

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

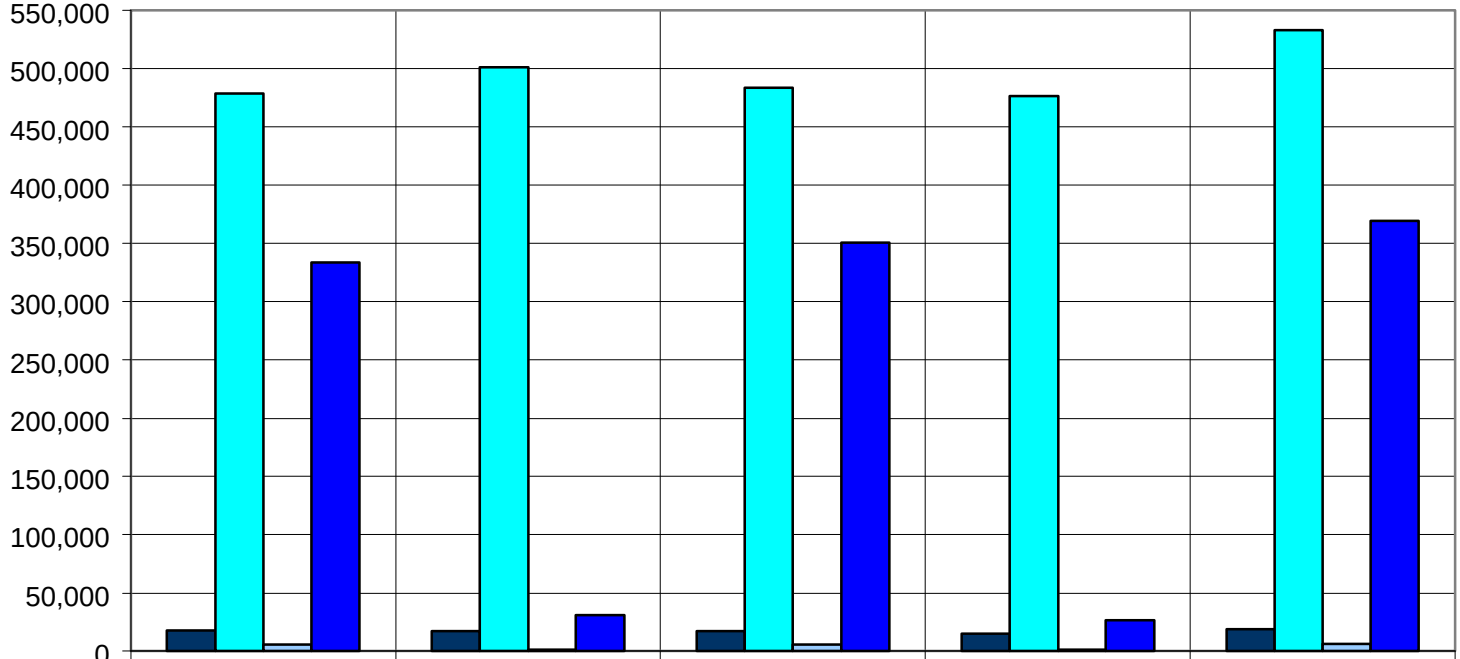
For the Fiscal Year Ended June 30, 1999, employees contributed $18,913 and the Agency contributed $29,504.

NEBRASKA STATE ELECTRICAL DIVISION

SCHEDULE OF INSPECTIONS AND LICENSES

AND RELATED FEES COLLECTED

Fiscal Year Ended June 30, 1999



Fiscal Year	94/95	95/96	96/97	97/98	98/99
Number of Inspections	17,941	17,051	17,063	15,070	19,080
Inspection Fees Collected	$478,823.13	$501,323.34	$483,540.39	$476,251.04	$532,922.02
Number of Licenses	5847	1330	5946	1225	6350
License Fees Collected	$333,810.62	$31,253.72	$350,982.80	$26,867.50	$369,632.62

Number of Inspections | Inspection Fees Collected | Number of Licenses | License Fees Collected

STATE OF NEBRASKA
Auditor of Public Accounts

Kate Witek
State Auditor
kwitek05@nol.org

P.O. Box 98917
Suite 2303, State Capitol
Lincoln, NE 68509
402-471-2111, FAX 402-471-3301

NEBRASKA STATE ELECTRICAL DIVISION

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 Electrical Division as of and for the year ended June 30, 1999, and have issued our report thereon dated July 3, 2000. The report notes the financial statements were prepared on the basis of cash receipts and disbursements and was modified to emphasize that the financial statements present only the funds of the Nebraska State Electrical Division. 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 Electrical Division'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 an immaterial instance of noncompliance that we have reported to management of the Nebraska State Electrical Division in the Comments Section of this report as Comment Number 2 (Deposit of Receipts).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska State Electrical Division'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 other matters involving the internal control over financial reporting that we have reported to management of Nebraska State Electrical Division in the Comments Section of this report as Comment Number 1 (Fixed Asset Procedures), Comment Number 2 (Deposits of Receipts), and Comment Number 4 (Incorrect Termination Payments).

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.

Julia Peraley CPA

July 3, 2000 Manager