

**AUDIT REPORT
OF THE
NEBRASKA REAL ESTATE COMMISSION**

JULY 1, 1998 THROUGH JUNE 30, 1999

NEBRASKA REAL ESTATE COMMISSION

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NEBRASKA REAL ESTATE COMMISSION

BACKGROUND

The Nebraska Real Estate Commission, which was initially established in 1943, is a seven-member regulatory commission which enforces the Nebraska Real Estate License Act. The Commission licenses real estate salespersons and brokers on the basis of written examinations and minimum education and/or experience requirements. The Commission investigates applicants for licenses, investigates complaints against licensees, develops real estate courses in cooperation with public institutions of postsecondary education, reviews and approves activities for continuing education credit, and examines the trust accounts of real estate brokers.

Real estate licensees have had to meet continuing education requirements since 1986 and, by law, are required to complete 12 hours of approved classes every two years before their licenses can be renewed. Inactive licensees may waive the requirement until they activate their licenses. The Commission approves instructors, providers, and the subject matter of these classes.

As indicated, the Nebraska Real Estate Commission consists of seven members. Six of the Commission members are appointed by the Governor to six-year terms. The Secretary of State is the Commission chairperson. Four members must be broker licensees with at least five years of broker or associate broker experience. The broker members are appointed from Nebraska's four congressional districts as they existed in 1961. Two members are appointed at large. One is a representative of the public, and the other is a licensed salesperson with at least three years of experience in the real estate business. All members are reimbursed for traveling expenses, and the appointed members are paid \$100 per day while attending monthly Commission meetings. The Commission employs a director and other staff.

Until January 1, 1991, the Nebraska Real Estate Commission also regulated real estate appraisers. This function was moved on that date to a separate agency, the Nebraska Real Estate Appraiser Board.

The revenue to operate the Commission is generated from license and testing fees.

The program objectives of the Nebraska Real Estate Commission are:

1. To ensure that only qualified real estate salespersons and brokers serve the public.
2. To enforce requirements of the Real Estate License Act, the Nebraska Time-Share Act, the Membership Campground Act, and the Retirement Subdivision and Communities Act.
3. To regulate the activities of licensees and resolve complaints against licensees.
4. To develop, review, and approve courses in real estate education, and train and approve course instructors.

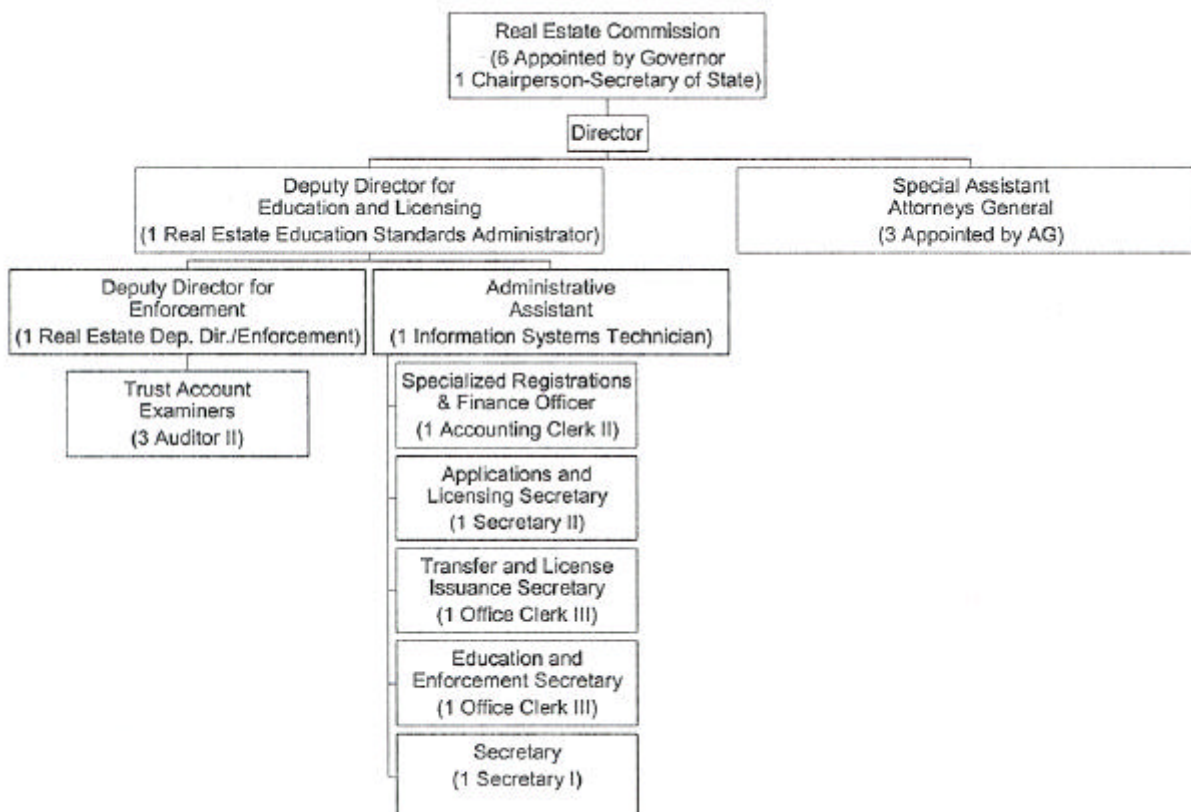
NEBRASKA REAL ESTATE COMMISSION

MISSION STATEMENT

To protect the public interest of Nebraska citizens through the efficient and effective administration of the Nebraska Real Estate License Act, the registration of Time-Share projects, Subdivided Land projects, Retirement Communities, and Subdivisions, and Membership Campgrounds.

NEBRASKA REAL ESTATE COMMISSION

ORGANIZATIONAL CHART



STATE OF NEBRASKA
Auditor of Public Accounts



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State Auditor
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NEBRASKA REAL ESTATE COMMISSION

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of the Nebraska Real Estate Commission 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 Commission'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 Real Estate Commission, 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 Real Estate Commission 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 Real Estate Commission is or will become year 2000 compliant, that Nebraska Real Estate Commission's year 2000 remediation efforts will be successful in whole or in part, or that parties with which Nebraska Real Estate Commission does business are or will become year 2000 compliant.

In accordance with Government Auditing Standards, we have also issued our report dated January 28, 2000, on our consideration of the Nebraska Real Estate Commission'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 marked "Unaudited" and accordingly, we do not express an opinion on the schedule.

January 28, 2000

A handwritten signature in dark ink, reading "Deann Hauffman CPA". The signature is written in a cursive, flowing style. The letters "Deann" and "Hauffman" are connected, and "CPA" is written separately to the right.

Deputy State Auditor

NEBRASKA REAL ESTATE COMMISSION
STATEMENT OF ASSETS AND FUND BALANCES
AND OTHER CREDITS ARISING FROM CASH TRANSACTIONS
ALL FUND TYPES AND GENERAL FIXED ASSETS ACCOUNT GROUP
June 30, 1999

	Governmental Fund Type	Account Group	
	Special Revenue	General Fixed Assets	Totals (Memorandum Only)
Assets			
Cash in State Treasury	\$ 342,010	\$ -	\$ 342,010
Deposit with Vendors	4,931	-	4,931
Property, Plant, and Equipment	-	74,375	74,375
Total Assets	<u>\$ 346,941</u>	<u>\$ 74,375</u>	<u>\$ 421,316</u>
Fund Balances and Other Credits			
Other Credits,			
Investment in Fixed Assets	\$ -	\$ 74,375	\$ 74,375
Fund Balances:			
Reserved For Postage	4,931	-	4,931
Unreserved, Undesignated	342,010	-	342,010
Total Fund Balances and Other Credits	<u>\$ 346,941</u>	<u>\$ 74,375</u>	<u>\$ 421,316</u>

See Notes to Financial Statements.

NEBRASKA REAL ESTATE COMMISSION
**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:	
Broker Renewal Fees	\$ 286,600
Salesperson Renewal Fees	272,700
Exam Fees	92,360
Application Fees	52,100
Other Sales and Charges	112,253
Miscellaneous:	
Interest	24,182
Other	21,038
TOTAL RECEIPTS	<u>861,233</u>
DISBURSEMENTS:	
Personal Services	458,880
Operating	267,122
Travel	48,083
Capital Outlay	50,042
TOTAL DISBURSEMENTS	<u>824,127</u>
Excess of Receipts Over (Under) Disbursements	<u>37,106</u>
OTHER FINANCING SOURCES (USES):	
Sales of Assets	155
Operating Transfers Out (Note 7)	(47,824)
Distributive Activity (Note 5):	
Ins	1,549
Outs	(1,520)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(47,640)</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(10,534)
FUND BALANCE, JULY 1, 1998	<u>357,475</u>
FUND BALANCE, JUNE 30, 1999	<u>\$ 346,941</u>

See Notes to Financial Statements.

NEBRASKA REAL ESTATE COMMISSION
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 For the Year Ended June 30, 1999

	CASH FUND		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:			
Sales and Charges:			
Broker Renewal Fees		\$ 286,600	
Salesperson Renewal Fees		272,700	
Exam Fees		92,360	
Application Fees		52,100	
Other Sales and Charges		112,253	
Miscellaneous:			
Interest		24,182	
Other		21,038	
TOTAL RECEIPTS		<u>861,233</u>	
DISBURSEMENTS:			
Personal Services	512,041	458,880	53,161
Operating	313,757	267,122	46,635
Travel	57,416	48,083	9,333
Capital Outlay	38,641	50,042	(11,401)
TOTAL DISBURSEMENTS	<u>921,855</u>	<u>824,127</u>	<u>97,728</u>
Excess of Receipts Over (Under) Disbursements		<u>37,106</u>	
OTHER FINANCING SOURCES (USES):			
Sale of Assets		155	
Operating Transfers Out		(47,824)	
Distributive Activity:			
Ins		1,549	
Outs		(1,520)	
TOTAL OTHER FINANCING SOURCES (USES)		<u>(47,640)</u>	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		(10,534)	
FUND BALANCES, JULY 1, 1998		<u>357,475</u>	
FUND BALANCES, JUNE 30, 1999		<u>\$ 346,941</u>	

See Notes to Financial Statements.

NEBRASKA REAL ESTATE COMMISSION

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 1999

1. Summary of Significant Accounting Policies

The accounting policies of the Nebraska Real Estate Commission are on the basis of accounting as described in the Nebraska Accounting System Manual.

- A. Reporting Entity.** The Nebraska Real Estate Commission (the Commission) is a State agency established under and governed by the laws of the State of Nebraska. As such, the Commission is exempt from State and Federal income taxes. The financial statements include all funds of the Commission. The Commission has also considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the Commission, or the significance of their relationship with the Commission are such that exclusion would be misleading or incomplete. The Governmental Accounting Standards Commission 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 Commission 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 Commission.

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

- B. Basis of Accounting.** The accounting records of the Commission are maintained and the Commission'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 Commission 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 over fixed assets. The fund types and account group presented on the financial statements are those required by GAAP and include:

NEBRASKA REAL ESTATE COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 Commission.

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 Commission are:

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.

- 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 Commission 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.

NEBRASKA REAL ESTATE COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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.

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 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, cash, construction, and revolving 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 Commission 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 Commission'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 Commission'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.

NEBRASKA REAL ESTATE COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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 purpose.

- 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 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 Commission. Generally, equipment which has a cost in excess of \$300 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. The fund of the Commission was 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. Distributive Activity.** Distributive Activity transactions would be those recorded directly to a fund's liability accounts rather than through a receipt or disbursement account. These transactions represent funds received by the Commission which are owed to some individual, organization, or other government agency or are deposits which will be returned on completion of some specified requirement.

NEBRASKA REAL ESTATE COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

J. Compensated Absences. All permanent employees working for the Commission 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 (and amounts related to proprietary funds and non-expendable trust funds would be reflected separately in those 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.

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

Sales and Charges. Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees.

Miscellaneous. Receipts from sources not covered by other major categories. For the Commission this consisted primarily of investment interest and fines, forfeits, and penalties.

L. Disbursements. The major account titles and descriptions as established by the Nebraska Accounting System that are used by the Commission 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 REAL ESTATE COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Concluded)

M. 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. 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 Commission 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 Commission, 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.

NEBRASKA REAL ESTATE COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. **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 Real Estate Commission's financial statements.

Litigation. The potential amount of liability involved in litigation pending against the Commission, if any, could not be determined at this time. However, it is the Commission's opinion that final settlement of those matters should not have an adverse effect on the Commission's ability to administer current programs. Any judgement against the Commission 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 Commission 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 Commission 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.

NEBRASKA REAL ESTATE COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

For the Fiscal Year Ended June 30, 1999, employees contributed \$13,535 and the Commission contributed \$21,115.

5. **Net Distributive Activity**

The Commission's net distributive activity for the audit period consists of overpayments made by individuals and sales tax collected for taxable items. The overpayments are refunded to the individuals as this is not money due to the State. The monies collected for sales tax are transferred to the Nebraska Department of Revenue.

6. **Fixed Assets**

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

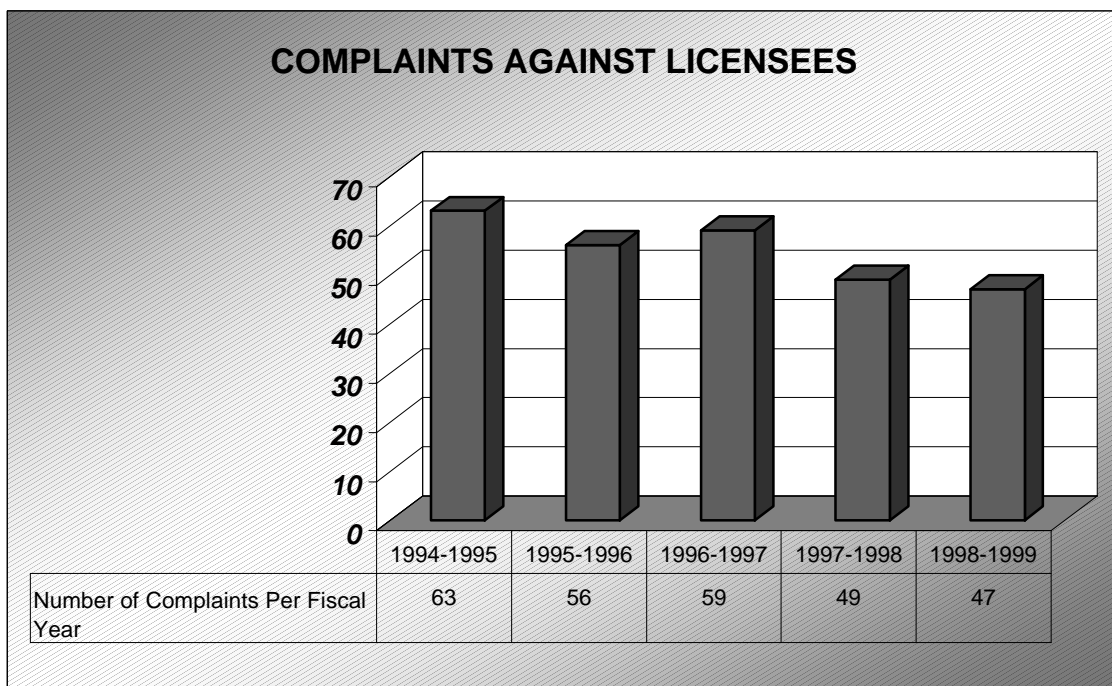
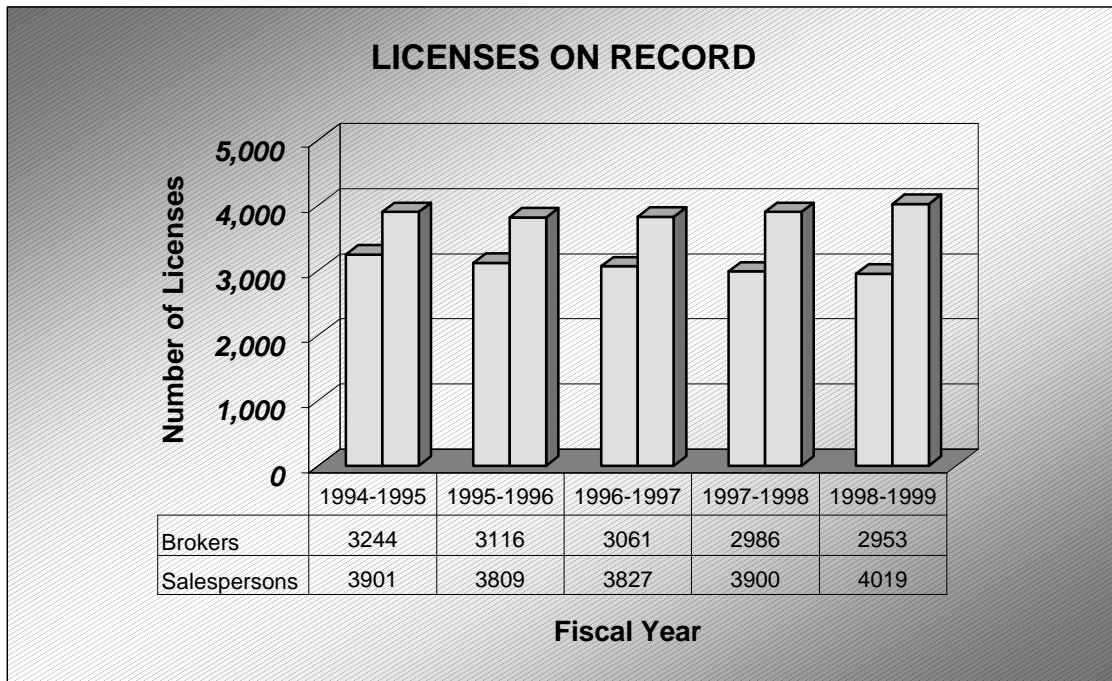
	Balance July 1, 1998	Additions	Retirements	Balance June 30, 1999
Equipment	\$ 63,797	\$ 24,982	\$ 14,404	\$ 74,375

7. **Operating Transfer Out**

The Commission was required by State Statute Section 33-150 to transfer to the State's General Fund 5% of fees collected during fiscal year 1999.

NEBRASKA REAL ESTATE COMMISSION
**FIVE YEAR SCHEDULE OF LICENSES ON RECORD AND
 COMPLAINTS AGAINST LICENSEES**
 For the Fiscal Year Ended June 30, 1999
UNAUDITED

SCHEDULE



NEBRASKA REAL ESTATE COMMISSION

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 Real Estate Commission. 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.

As of the report date of January 28, 2000 there have been no apparent significant Y2K problems. However, because of the unprecedented nature of the Y2K problem, problems may yet arise in the critical systems noted above or parties with whom the State of Nebraska or the Nebraska Real Estate Commission do business.

STATE OF NEBRASKA
Auditor of Public Accounts



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NEBRASKA REAL ESTATE COMMISSION
**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 Real Estate Commission as of and for the year ended June 30, 1999, and have issued our report thereon dated January 28, 2000. 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 Real Estate Commission 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 Real Estate Commission'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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Real Estate Commission'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.

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 dark ink, reading "Deann Hauffman CPA". The signature is written in a cursive style with a clear, legible font.

January 28, 2000

Deputy State Auditor