AUDIT REPORT
OF THE
NEBRASKA COMMISSION ON LAW ENFORCEMENT
AND CRIMINAL JUSTICE

JULY 1, 1999 THROUGH JUNE 30, 2000

NEBRASKA COMMISSION ON LAW ENFORCEMENT AND CRIMINAL JUSTICE

TABLE OF CONTENTS

BACKGROUND

The Nebraska Commission on Law Enforcement and Criminal Justice (Commission) was created in 1967 by an executive order of the Governor, and was established as a state government agency by the Nebraska Legislature in 1969.

The Commission consists of nineteen members. The Governor, the Attorney General, the Superintendent of Law Enforcement and Public Safety, the Director of the Department of Correctional Services, and the Chairperson of the Nebraska Police Standards Advisory Council are statutory members. The remaining members are appointed by the Governor to six-year terms, including two chiefs-of-police or directors of public safety, a district court judge, a county sheriff, a county attorney, a county commissioner, a mayor or city manager, a person involved in juvenile delinquency prevention or control and six members of the public (one must be a woman). The Commission meets four times a year. The members serve without compensation, but are reimbursed for their expenses.

The Commission administers Federal and State aid programs in the areas of anti-drug abuse, violent crime, victim assistance, juvenile justice, and law enforcement. Aid programs administered include Anti-Drug Abuse and Violent Crime, Juvenile Justice and Delinquency Prevention, Violence Against Women Act, Crime Victims Assistance, Juvenile Services, Crime Victim's Reparations, Crimes Against Children, Aid to Law Enforcement, and Crime Stoppers.

The Commission administers the Law Enforcement Training Center in Grand Island. The Center provides training courses, which are required of all law enforcement officers from all cities, towns, and counties in Nebraska. The only exceptions are the Nebraska State Patrol and the cities of Lincoln and Omaha, which conduct approved officer training courses of their own. In addition, some State agency personnel, such as Game and Parks Commission officers, are trained at the Center. Courses include mandatory training, continuing education, and specialized training in law enforcement, drug enforcement, domestic violence, child abuse, and highway safety.

The Juvenile Justice Division administers State and Federal grant monies awarded to juvenile justice projects throughout Nebraska. The Division also develops juvenile justice initiatives and programs, oversees Nebraska's compliance with the federal Juvenile Justice and Delinquency Act, provides technical assistance and education to criminal and juvenile justice practitioners, and provides planning assistance to communities providing juvenile services.

The Commission administers the Uniform Crime and Juvenile Crime Reporting Systems, which include statistical information maintained in several statewide databases. The Commission enforces the privacy and security of criminal records databases. The Commission enforces the privacy and security of criminal records statutes, and conducts studies to make improvements in the administration of the State, county, and local criminal justice systems. The Commission also performs various studies, collects information related to persons processed through Nebraska's juvenile court system, and monitors the establishment of county-wide child abuse and neglect programs.

BACKGROUND
(Concluded)

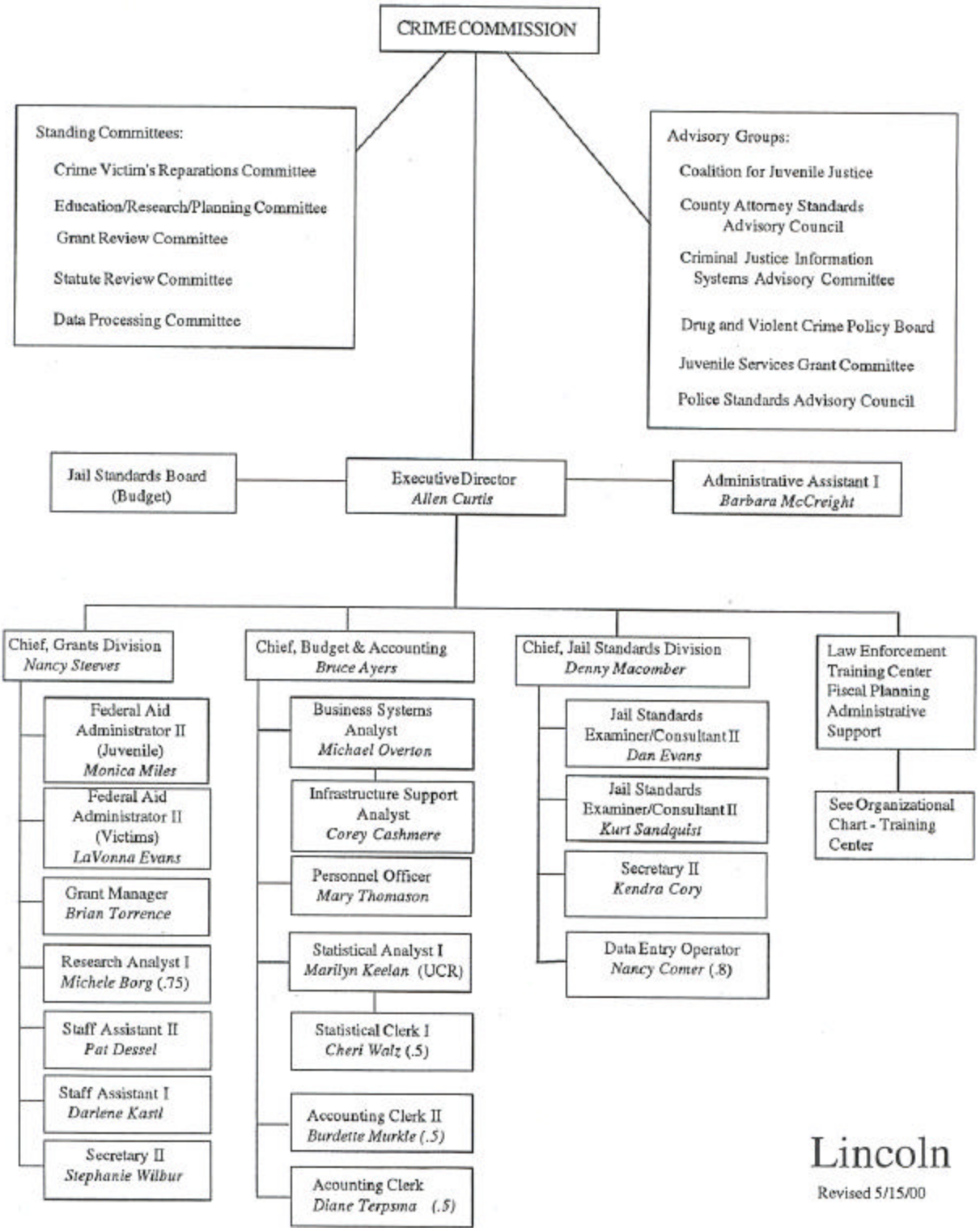
The Commission administers the Federal and State Crime Victim Assistance Programs and the Nebraska Crime Victim's Reparations Program. These programs provide medical, emotional, financial, and legal assistance as well as shelter, support, and advocacy to crime victims.

The Jail Standards Board establishes standards for all Nebraska jails, and the Jail Standards Division monitors compliance with these standards by annual inspections of jails, temporary holding facilities, and juvenile detention facilities. The Jail Standards Division also provides technical assistance to these facilities in planning, training, policy and procedure development, record management, operations, and resource development. The Jail Standards Division also maintains a statewide database pertaining to the type and number of inmates held in local jails.

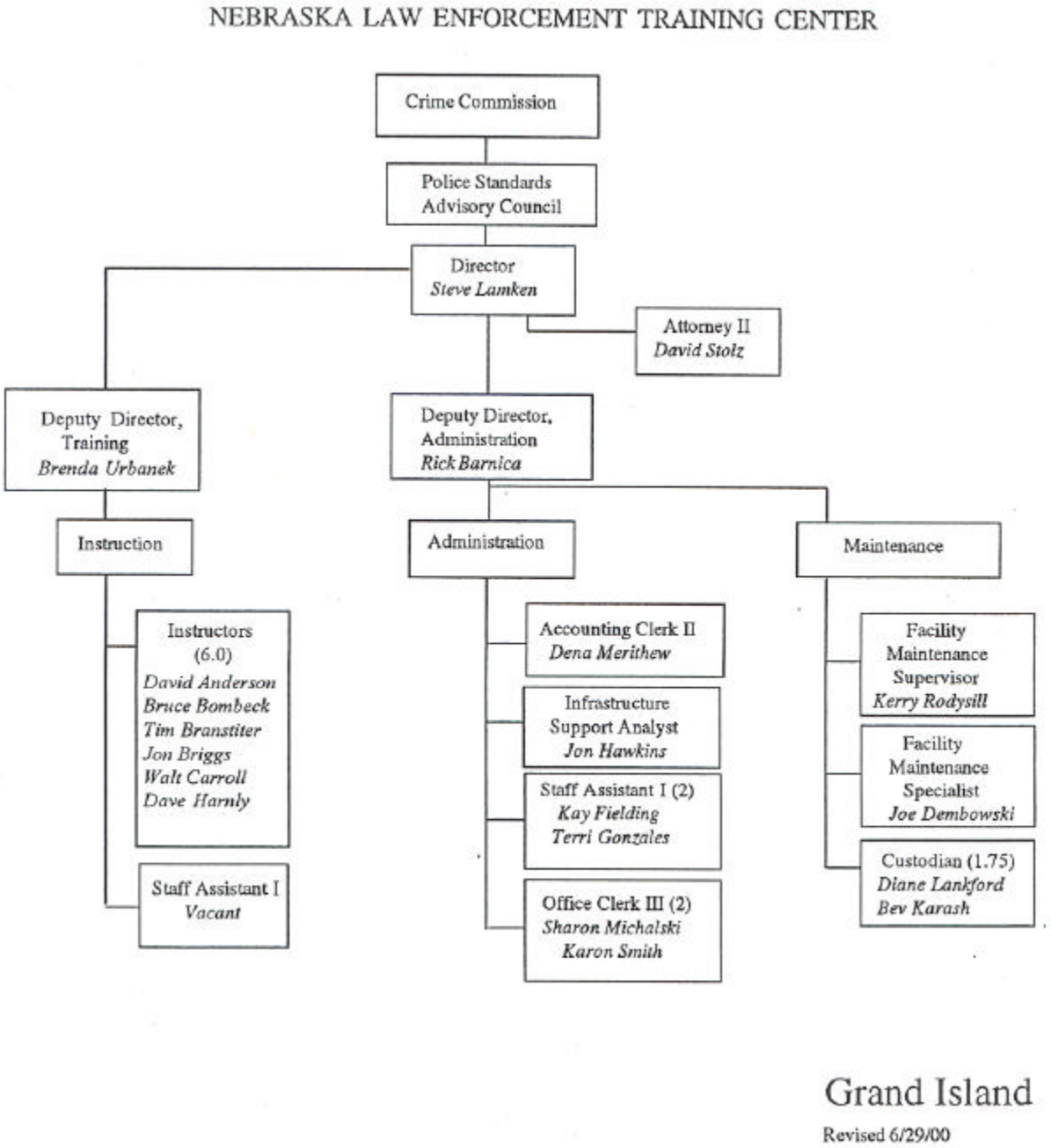
MISSION STATEMENT

The Commission's mission is to provide comprehensive planning and coordination of activities which lead to the improvement of criminal and juvenile justice administration among State and local agencies. Through the direction and guidance of a 19 member board comprised of a representative group of criminal justice professionals and representatives from the public at large, the Commission serves in a leadership role by providing expertise, technical assistance, training, financial aid, enforcement of mandatory standards, research, evaluations, statistical services and informational resources to criminal and juvenile justice programs statewide.

ORGANIZATIONAL CHART



ORGANIZATIONAL CHART



SUMMARY OF COMMENTS

During our audit of the Nebraska Commission on Law Enforcement and Criminal Justice, 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. ***Disbursements:*** Adequate documentation for disbursements did not exist to support the funds and programs charged. General Fund disbursements for Program 202 (Crime Reparations) exceeded Legislative allotment by more than $40,000.

2. ***Computer Passwords:*** Commission employees share computer passwords, allowing unauthorized access to payroll records, and increasing the risk of loss or misuse of State funds.

3. ***Allocation of Payroll:*** Payroll costs charged to Federal grants were not based on employee activity reports as required by Federal Regulations.

4. ***Fixed Assets:*** A lack of segregation of duties allows one employee to add or delete items from the fixed asset listing without properly documented management review. Various errors were noted in testing.

5. ***Subrecipient Monitoring***: Subrecipients were not monitored on a timely basis.

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 Commission to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. The Commission declined to respond.

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

COMMENTS AND RECOMMENDATIONS

1. Disbursements

Good internal control includes a plan of organization, procedures, and records designed to provide reliable financial records. A system of internal control requires that when costs are allocated to various programs, the basis for the allocation must be reasonable and documented. OMB Circular A-87 defines indirect costs as those "(a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved." Circular A-87 requires indirect cost plans and proposals to be approved by the federal cognizant agency. An appropriation is granted by program for a specific period of time. An agency is required to operate within the limits established.

During our audit, we noted 3 of 25 disbursements tested were not adequately documented to support the funds and programs charged. Disbursements related to supplies and copier maintenance were charged per allocation percentages developed by the Commission; however, the basis for these allocations was not documented. Furthermore, these disbursements included charges to federal funds, and the indirect cost method was not approved by the cognizant agency. This could result in questioned costs, which may need to be repaid.

The Commission charged rent expenses based on the number of employees paid from each program. We noted a journal entry in June, which shifted previous rent charges to different programs. The journal entry charged $2,500 to Program 150 (Juvenile Services Act) and $1,000 to Program 202 (Crime Reparations) for costs previously charged to Program 198 (Central Administration). Based on the number of employees, Programs 150 and 202 were overcharged by these amounts. We also noted rent was charged to federal programs, and the indirect cost method was not approved by the federal cognizant agency.

We further noted the Commission identified July 2000 General Fund disbursements for Program 202 of $46,283 with a leading "8," indicating the disbursement was a fiscal year 2000 obligation. However, the available allotment at June 30, 2000 was only $2,794. Therefore the Commission exceeded the spending authority by at least $43,489.

Without adequate documentation to support the basis used to allocate costs there is an increased risk the charges to various funds and programs may not be reasonable and may be questioned. There is also a greater risk to abuse or circumvent the appropriation process and legislative intent.

A similar comment was noted in the prior audit.

> We recommend the Commission maintain adequate documentation to support costs allocated between funds and programs. We further recommend the Commission obtain federal approval for indirect costs charged to federal grants.

COMMENTS AND RECOMMENDATIONS

2. Computer Passwords

Good internal controls require computer passwords to be kept confidential to ensure proper segregation of duties.

We noted during our audit the Personnel Officer and Budget Officer each know and use each other's computer passwords for payroll transactions. The Personnel Officer is responsible for reconciling payroll input to output and completes the Personnel Information Form (PIF) and Position Assignment Form (PAF) forms. The Budget Officer approves the payroll and reviews and approves the PIF and PAF forms for input. The Personnel Officer uses the Budget Officer's password to update the PIF and PAF forms.

The use of computer passwords that are not confidential, allows unauthorized access and circumvents the system controls, increasing the risk of loss or misuse of State funds.

> We recommend staff maintain confidential passwords and only access the computer system as authorized. We further recommend the Commission ensure adequate segregation of duties exist over payroll transactions or implement compensating controls.

3. Allocation of Payroll

The United States Office of Management and Budget Circular No. A-87, Attachment B, Section 11.h.(4), Revised May 4, 1995, requires 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 unless a substitute system has been approved by a Federal agency.

We noted during our audit the charges of payroll costs for Lincoln employees to the various grants was not based on personnel activity reports or a substitute system approved in writing by a Federal agency. The Commission indicated the system used was approved verbally by Federal Department of Justice personnel. Without written documentation of the approval to use a substitute system, questions relating to the appropriateness of the substitute system may arise. In addition, we noted the allocation of payroll to Federal funds was miscalculated and inaccurately reported for one employee tested.

A similar comment was noted in the prior audit.

> We recommend the Commission comply with federal regulations. We also recommend the Commission implement controls to review payroll charges for accuracy.

COMMENTS AND RECOMMENDATIONS

4. Fixed Assets

Good internal control procedures require an adequate segregation of duties related to fixed assets. Good internal control also requires procedures to ensure fixed assets are properly recorded. Neb. Rev. Stat. Section 81-161.04(2) R.R.S., 1996 requires the proceeds from the sale of fixed assets to be deposited to the State General Fund or the fund originally used to purchase the item.

We noted the following:

- One employee had the ability to both add and remove assets from the fixed assets listing. Management indicated the fixed assets listing was reviewed after the annual physical inventory; however, the process was not documented.
- Fixed assets were omitted from, or not properly recorded on, the Commission's fixed asset listing. Eight items totaling $3,716 either were not added or were not added at the correct amount.
- One surplus document tested indicated a deposit was not made of the sale proceeds to the General Fund or the fund originally used for the purchases was not made. The items were originally paid with State General Funds and federal funds, however the sale proceeds were deposited entirely to the cash fund.

> We recommend the Commission implement a segregation of duties or adequate compensating controls. In addition, we recommend correction of the errors and compliance with State Statute.

5. Subrecipient Monitoring

The Commission must ensure all federal funds received are spent properly and in accordance with applicable federal laws and regulations as noted in 28 C.F.R. Section 66.40. This is applicable for funds passed through to subrecipients. The Commission operating instruction 10 section (2)(D)(1) requires new grant projects to be monitored within the first 12 months of funding, and projects that receive continuation funding to be monitored at least every 36 months.

We noted one of nineteen subrecipients of Drug and Violent Crime Grants had not been monitored within the past 36 months, as of June 30, 2000. Two of twenty-seven Victim Assistance Grant subrecipients and two of twenty-seven Violence Against Women Grant subrecipients had not been monitored in the last 36 months, as of June 30, 2000.

Without adequate monitoring of subrecipients, unallowable expenditures may not be detected. This was a comment in the prior audit.

> We recommend the Commission improve their current process and ensure adequate monitoring is completed on a timely basis.

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 COMMISSION ON LAW ENFORCEMENT AND CRIMINAL JUSTICE

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of the Nebraska Commission on Law Enforcement and Criminal Justice as of and for the fiscal year ended June 30, 2000, 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 Commission on Law Enforcement and Criminal Justice, 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 Commission on Law Enforcement and Criminal Justice as of June 30, 2000, 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 August 7, 2000, on our consideration of the Nebraska Commission on Law Enforcement and Criminal Justice's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The report on compliance and on internal control over financial reporting is an integral part of a Government Auditing Standards audit and should be considered in conjunction with the report on the financial statements.

The accompanying combining statements and schedule 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.

Pat Reding, CPA

August 7, 2000 Manager

NEBRASKA COMMISSION ON LAW ENFORCEMENT AND CRIMINAL JUSTICE

COMBINED STATEMENT OF ASSETS, FUND BALANCES
AND OTHER CREDITS ARISING FROM CASH TRANSACTIONS
ALL FUND TYPES AND GENERAL FIXED ASSETS ACCOUNT GROUP

June 30, 2000

	Governmental Fund Types			Account Group	
	General	Special Revenue	Capital Projects	General Fixed Assets	**Totals** (Memorandum Only)
Assets					
Cash in State Treasury	$ -	$ 1,662,474	$ -	$ -	$ 1,662,474
Deposit with Vendors	1,974	100	-	-	2,074
Petty Cash	-	275	-	-	275
Property, Plant, and Equipment	-	-	-	701,891	701,891
Total Assets	$ 1,974	$ 1,662,849	$ -	$ 701,891	$ 2,366,714
Fund Balances and Other Credits					
Other Credits,					
Investment in Fixed Assets	$ -	$ -	$ -	$ 701,891	$ 701,891
Fund Balances:					
Reserved For Postage	1,974	100	-	-	2,074
Unreserved, Undesignated	-	1,662,749	-	-	1,662,749
Total Fund Balances and Other Credits	$ 1,974	$ 1,662,849	$ -	$ 701,891	$ 2,366,714

See Notes to Financial Statements.

NEBRASKA COMMISSION ON LAW ENFORCEMENT AND CRIMINAL JUSTICE

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS

AND CHANGES IN FUND BALANCES

For the Fiscal Year Ended June 30, 2000

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	**Totals** (Memorandum Only)
RECEIPTS:				
Appropriations	$ 2,860,004	$ -	$ 2,422,971	$ 5,282,975
Intergovernmental	-	9,173,392	-	9,173,392
Sales and Charges	40	68,842	-	68,882
Miscellaneous	720	813,051	-	813,771
TOTAL RECEIPTS	2,860,764	10,055,285	2,422,971	15,339,020
DISBURSEMENTS:				
Personal Services	888,109	774,625	-	1,662,734
Operating	775,809	1,004,466	344,660	2,124,935
Travel	39,376	72,834	-	112,210
Capital Outlay	39,834	39,996	2,078,311	2,158,141
Government Aid	1,118,129	9,916,654	-	11,034,783
TOTAL DISBURSEMENTS	2,861,257	11,808,575	2,422,971	17,092,803
Excess of Receipts Over (Under) Disbursements	(493)	(1,753,290)	-	(1,753,783)
OTHER FINANCING SOURCES (USES):				
Sales of Assets	475	6,767	-	7,242
Net Distributive Activity	18	(1)	-	17
TOTAL OTHER FINANCING SOURCES (USES)	493	6,766	-	7,259
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	-	(1,746,524)	-	(1,746,524)
FUND BALANCE, JULY 1, 1999	1,974	3,409,373	-	3,411,347
FUND BALANCE, JUNE 30, 2000	$ 1,974	$ 1,662,849	$ -	$ 1,664,823

See Notes to Financial Statements.

NEBRASKA COMMISSION ON LAW ENFORCEMENT AND CRIMINAL JUSTICE

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

For the Year Ended June 30, 2000

	GENERAL FUND			CASH FUNDS		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:						
Appropriations		$ 2,860,004			$ -	
Intergovernmental		-			-	
Sales and Charges		40			68,842	
Miscellaneous		720			694,789	
TOTAL RECEIPTS		2,860,764			763,631	
DISBURSEMENTS:						
Personal Services		888,109			408,816	
Operating		775,809			334,269	
Travel		39,376			13,948	
Capital Outlay		39,834			22,459	
Government Aid		1,118,129			103,675	
Total Budgeted	$ 3,389,400	2,861,257	$ 528,143	$ 930,137	883,167	$ 46,970
Under Budgeted (Note 7)	812		812	-		-
TOTAL DISBURSEMENTS	3,390,212	2,861,257	528,955	930,137	883,167	46,970
Excess of Receipts Over (Under) Disbursement		(493)			(119,536)	
OTHER FINANCING SOURCES (USES):						
Sale of Assets		475			6,767	
Net Distributive Activity		18			(1)	
TOTAL OTHER FINANCING SOURCES (USES)		493			6,766	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		-			(112,770)	
FUND BALANCES, JULY 1, 1999		1,974			330,773	
FUND BALANCES, JUNE 30, 2000		$ 1,974			$ 218,003	

See Notes to Financial Statements.

(Continued)

NEBRASKA COMMISSION ON LAW ENFORCEMENT AND CRIMINAL JUSTICE

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

For the Year Ended June 30, 2000

	FEDERAL FUNDS			CAPITAL PROJECTS FUND		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:						
Appropriations		$ -			$ 2,422,971	
Intergovernmental		9,173,392			-	
Sales and Charges		-			-	
Miscellaneous		118,262			-	
TOTAL RECEIPTS		9,291,654			2,422,971	
DISBURSEMENTS:						
Personal Services		365,809			-	
Operating		670,197			344,660	
Travel		58,886			-	
Capital Outlay		17,537			2,078,311	
Government Aid		9,812,979			-	
Total Budgeted	$ 12,829,524	10,925,408	$ 1,904,116	$ 11,250,630	2,422,971	$ 8,827,659
Under Budgeted (Note 7)	2,464,059		2,464,059	-		-
TOTAL DISBURSEMENTS	15,293,583	10,925,408	4,368,175	11,250,630	2,422,971	8,827,659
Excess of Receipts Over (Under) Disbursement		(1,633,754)			-	
OTHER FINANCING SOURCES (USES):						
Sale of Assets		-			-	
Net Distributive Activity		-			-	
TOTAL OTHER FINANCING SOURCES (USES)		-			-	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		(1,633,754)			-	
FUND BALANCES, JULY 1, 1999		3,078,600			-	
FUND BALANCES, JUNE 30, 2000		$ 1,444,846			$ -	

See Notes to Financial Statements.

(Continued)

NEBRASKA COMMISSION ON LAW ENFORCEMENT AND CRIMINAL JUSTICE

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

For the Year Ended June 30, 2000

		TOTAL ACTUAL BASIS)	VARIANCE FAVORABLE
RECEIPTS:			
		5,282,975	
		9,173,392	
		68,882	
		813,771	
		15,339,020	
Personal Services	$	1,662,734	$
Operating		2,124,935	
Travel		112,210	
Capital Outlay		2,158,141	
Government Aid		11,034,783	
Total Budgeted		17,092,803	
Under Budgeted (Note 7)			2,464,871
	30,864,562		13,771,759
		(1,753,783)	
Sale of Assets			
Net Distributive Activity			
TOTAL OTHER FINANCING SOURCES (USES)			
Excess of Receipts and Other Financing and Other Financing Uses			
FUND BALANCES, JULY 1, 1999			
FUND BALANCES, JUNE 30, 2000		$	

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2000

1. Summary of Significant Accounting Policies

The accounting policies of the Nebraska Commission on Law Enforcement and Criminal Justice are on the basis of accounting as described in the Nebraska Accounting System Manual.

A. Reporting Entity. The Nebraska Commission on Law Enforcement and Criminal Justice (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 Commission on Law Enforcement and Criminal Justice. No component units were identified. The Nebraska Commission on Law Enforcement and Criminal Justice 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

1. Summary of Significant Accounting Policies (Continued)

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:

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.

Capital Projects Funds. Reflect transactions related to resources received and used for the acquisition, construction, or improvement of permanent facilities.

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:

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.

3000 - Construction Funds - account for the receipts and disbursements associated with the acquisition or construction of capital facilities.

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 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

1. Summary of Significant Accounting Policies (Continued)

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.

All State budgetary disbursements for the general, cash, construction, 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, cash, and construction 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.

1. Summary of Significant Accounting Policies (Continued)

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, 2000, 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.

There is no difference between the fund balance of the Budgetary Statement and the Financial Statement. The Cash Funds and Federal Funds on the Budgetary Statement are appropriately classified as Special Revenue funds 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, 2000, have been recorded at 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

1. Summary of Significant Accounting Policies (Continued)

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 Commission, except for the 4781 federal fund, were designated for investment during fiscal year 2000.

G. Net Distributive Activity. Net 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.

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 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. 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.

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

1. Summary of Significant Accounting Policies (Concluded)

Intergovernmental. Receipts from other governments in the form of grants or reimbursements.

Sales and Charges. Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees. Receipts in this category includes tuition received from classes provided at the Nebraska Law Enforcement Training Center in Grand Island.

Miscellaneous. Receipts from sources not covered by other major categories. These receipts include investment interest, housing rental at the Nebraska Law Enforcement Training Center and monies withheld from inmate wages.

K. 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.

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 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 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.

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

3. Contingencies and Commitments (Concluded)

directed by the Legislature, unless covered by purchased insurance. No amounts for estimated claims have been reported in the Nebraska Commission on Law Enforcement and Criminal Justice'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.

For the fiscal year ended June 30, 2000, employees contributed $57,720 and the Commission contributed $90,044.

NOTES TO FINANCIAL STATEMENTS
(Continued)

5. Fixed Assets

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

	Balance July 1, 1999	Additions	Retirements	Balance June 30, 2000
Equipment	$ 728,384	$ 65,138	$ 91,631	$ 701,891

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, 1999	$ 213,593
New Appropriations	3,176,619
Total Appropriations	3,390,212
Disbursements	(2,861,257)
Other	(1,253)
Ending (Appropriations) Balance June 30, 2000	$ 528,955

7. Under Budgeted

The total amount budgeted by the Commission in the Budget Status Report for the General Fund and the Federal Funds was lower due to an adjustment increase to the appropriations in May 2000.

8. Collocation

Per 1998 Neb. Laws LB 1108, Section 76, the State Building Division of the Department of Administrative Services was authorized to proceed with the collocation of the Nebraska State Patrol Training Academy with the Nebraska Law Enforcement Training Center in Grand Island, and the renovation of the existing Nebraska Law Enforcement Training Center facilities in Grand Island. According to the Legislature, collocation of these training facilities will permit the independent and distinct operation of each agency's academy while achieving significant economies of scale. The Legislature mandated the total project cost to not exceed $12,000,000. Activity for this project is recorded in Fund 3300.

NEBRASKA COMMISSION ON LAW ENFORCEMENT AND CRIMINAL JUSTICE

ARISING FROM CASH TRANSACTIONS

June 30, 2000

	Victims Fund 2780	Fund LEIF	Trg Center Fund 2782	Children	Crime Comm Fund 4781	Account	**Totals Special Funds**
Assets							
	66,045	$	50,087	$	12,799	$	1,662,474
	-		-		-		100
	-		-		-		275
	66,045	$	50,087	$	12,799	$	1,662,849
Fund Balances and Other Credits							
Reserved For Postage	$	100	$	-	$	-	$
Unreserved, Undesignated		98,468		3,303		1,432,047	
Total Fund Balances	$	98,568	$	3,303	$	1,432,047	$

NEBRASKA COMMISSION ON LAW ENFORCEMENT AND CRIMINAL JUSTICE

COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES

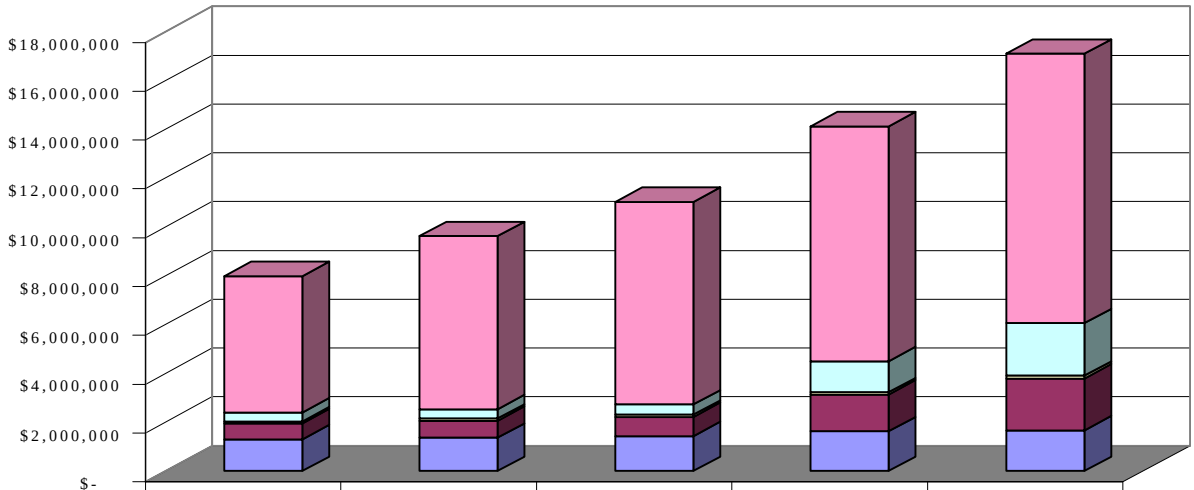
For the Fiscal Year Ended June 30, 2000

	Compensation Fund 2780	Law Enf Imp Fund LEIF	Trng Center Fund 2782	Children Fund 2783	Crime Comm Federal	Juvenile Fund 4782	**Total Revenue Funds**
Intergovernmental	-	-	-	-	9,173,392	-	9,173,392
Sales and Charges	67,026	588,959	37,288	1,516	637	117,625	813,051
TOTAL RECEIPTS	67,026	598,446	96,643	1,516	9,174,029	117,625	10,055,285
DISBURSEMENTS:							
	-	370,915	37,901	-	356,631	9,178	774,625
Operating	-	228,945	105,324	-	622,373	47,824	1,004,466
Travel	-	22,459	-	-	14,098	3,439	39,996
Government Aid	75,000	-	-	28,675	8,922,669	890,310	9,916,654
TOTAL DISBURSEMENTS							
Disbursements	(7,974)	(37,821)	(46,582)	(27,159)	(798,070)	(835,684)	(1,753,290)
OTHER FINANCING SOURCES (USES):							
	-	6,767	-	-	-	-	6,767
Net Distributive Activity	-	-	(1)	-	-	-	(1)
TOTAL OTHER FINANCING	-	6,767	(1)	-	-	-	6,766
Excess of Receipts and Other Financing Sources Over (Under) Disbursements	(7,974)	(31,054)	(46,583)	(27,159)	(798,070)	(835,684)	(1,746,524)
FUND BALANCE, JULY 1, 1999	74,019	129,622	96,670	30,462	810,869	2,267,731	3,409,373
FUND BALANCE, JUNE 30, 2000	$	$	$	$	$	$	$

FIVE-YEAR SCHEDULE OF DISBURSEMENTS

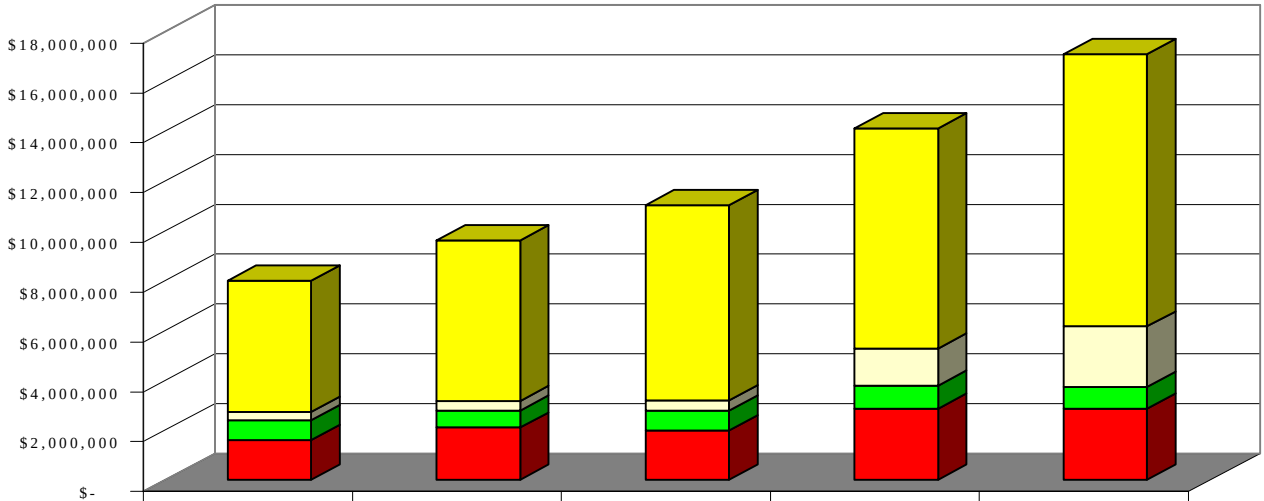
Fiscal Years Ended June 30, 1996-2000

Schedule of Disbursements Paid by Major Account Category



	1996	1997	1998	1999	2000
Govt. Aid	$5,590,407	$7,091,131	$8,308,208	$9,617,466	$11,034,783
Capital Outlay	$366,580	$380,453	$416,419	$1,272,541	$2,158,141
Travel	$81,528	$95,377	$89,806	$100,849	$112,210
Operating	$647,811	$694,285	$781,867	$1,501,564	$2,124,935
Personal Svc	$1,304,960	$1,356,843	$1,432,219	$1,626,365	$1,662,734

Schedule of Disbursements Paid by Fund Type



	1996	1997	1998	1999	2000
Federal	$5,261,787	$6,438,216	$7,833,473	$8,843,941	$10,925,408
Construction	$335,677	$384,269	$401,239	$1,481,195	$2,422,971
Cash	$784,209	$692,937	$804,222	$925,242	$883,167
General	$1,609,613	$2,102,667	$1,989,585	$2,868,407	$2,861,257

	Fiscal Year Ended June 30				
	1996	1997	1998	1999	2000
Total Disbursements	$ 7,991,286	$ 9,618,089	$ 11,028,519	$ 14,118,785	$ 17,092,803

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 COMMISSION ON LAW ENFORCEMENT AND CRIMINAL JUSTICE

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 Commission on Law Enforcement and Criminal Justice as of and for the year ended June 30, 2000, and have issued our report thereon dated August 7, 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 Commission on Law Enforcement and Criminal Justice. 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 Commission on Law Enforcement and Criminal Justice'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 Commission on Law Enforcement and Criminal Justice in the Comments Section of this report as Comment Number 1 (Disbursements), Comment Number 3 (Allocation of Payroll), Comment Number 4 (Fixed Assets), and Comment Number 5 (Subrecipient Monitoring).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Commission on Law Enforcement and Criminal Justice'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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Nebraska Commission on Law Enforcement and Criminal Justice's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the Comments Section of the report as Comment Number 2 (Computer Passwords) and Comment Number 4 (Fixed Assets).

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We noted another matter involving internal control over financial reporting that we have reported to management of the Nebraska Commission on Law Enforcement and Criminal Justice in the Comments Section of the report as Comment Number 1 (Disbursements).

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.

Pat Reding, CPA

August 7, 2000 Manager