

**AUDIT REPORT
OF THE
NEBRASKA DRY BEAN COMMISSION**

JULY 1, 1999 THROUGH JUNE 30, 2000

NEBRASKA DRY BEAN COMMISSION

TABLE OF CONTENTS

	<u>Page</u>
Background Information Section	
Background	1
Mission Statement	1
Comments Section	
Comment and Recommendation	2 - 3
Financial Section	
Independent Auditors' Report	4 - 5
Financial Statements:	
Statement of Assets, Fund Balances, and Other Credits Arising from Cash Transactions – Special Revenue Fund Type and General Fixed Assets Account Group	6
Statement of Receipts, Disbursements, and Changes in Fund Balances	7
Statement of Receipts, Disbursements, and Changes In Fund Balances - Budget and Actual - Cash Fund	8
Notes to Financial Statements	9 - 14
Schedule:	
Schedule of Disbursements by Sub-Program	15
Government Auditing Standards Section	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	16 - 17

NEBRASKA DRY BEAN COMMISSION

BACKGROUND

In 1987, the Nebraska Legislature created the Dry Bean Commission under the provisions of the Dry Bean Resources Act. The Commission's primary function, as defined by the Legislature, is to adopt and devise a dry bean program consisting of research, education, advertising, publicity, and promotion to increase total consumption of dry beans on a state, national, and international basis.

The Nebraska Dry Bean Commission consists of nine members: four grower representatives and three processor representatives, appointed by the Governor with the consent of the Legislature, and two additional grower representatives appointed by the Commission. Commissioners all serve three-year terms.

The Commission is funded by a fee assessed on dry edible beans grown in Nebraska and sold through commercial channels. This fee is 7.5 cents per hundredweight for harvested dry beans as of July 1, 1994. Two-thirds of the fees are paid by the growers; one-third of the fees are paid by the first purchaser of the crop.

Fee collections, field audits of first purchasers, and various other accounting functions are performed by the Nebraska Department of Agriculture, under contract with the Commission.

MISSION STATEMENT

To develop and participate in programs of research, education, advertising, publicity, and promotion to increase total consumption of dry beans on a state, national, and international basis.

NEBRASKA DRY BEAN COMMISSION

COMMENT AND RECOMMENDATION

During our audit of the Nebraska Dry Bean Commission, 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. Travel Reimbursements

Our testing of five travel expense reimbursement documents noted the following exceptions:

- Three out of five reimbursements did not have the proper documentation. All three did not have “To” and “From” locations for trips.
- One out of five reimbursements did not state the purpose of the trip.
- One out of five reimbursements had mileage claimed in excess of mileage calculated for the locations noted.
- Two out of five reimbursements claimed a whole day’s food reimbursement when it was not allowed. On one trip, the individual departed later in the day so only the evening meal should have been claimed. The other was a one-day trip in which only supper was eligible for reimbursement based on travel times.
- One out of five reimbursements claimed a whole day (\$34) which exceeded the IRS allowance for rural Nebraska (\$30). No receipts or itemized documentation was available.

Neb. Rev. Stat. Section 81-1174, R.R.S. 1999, and good internal control require documentation to be complete. The statute requires, “Each request shall be fully itemized, including when, where, and why the expense was incurred and the actual amount involved.”

According to DAS policy, one-day travel expenses (breakfast and supper only) may be reimbursed for one-day travel if deemed necessary for the working conditions of the employee. Only actual amounts paid for meals may be claimed according to section 81-1174.

Reimbursements for meals, which exceed the IRS Standard Meal Allowance, are taxable income to the employee unless the appropriate supporting documentation is provided.

The possibility of misuse of State funds is increased when reimbursements are made in excess of the established guidelines.

NEBRASKA DRY BEAN COMMISSION

COMMENT AND RECOMMENDATION

1. Travel Reimbursements (Concluded)

Without complete documentation on travel expense reimbursement documents, it is not possible to determine all mileage and travel expenses are valid expenses of the Commission.

We recommend all pages of a travel expense reimbursement be thoroughly checked to verify it is complete before approving the expenses. We also recommend the Commission implement travel and reimbursement procedures to ensure the guidelines set forth by the IRS and DAS are followed. Also, meals claimed in excess of the IRS standard meal allowance should be properly supported by receipts.

It should be noted this report is critical in nature since it contains only our comment and recommendation on the area 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 comment and recommendation 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.

STATE OF NEBRASKA
Auditor of Public Accounts



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NEBRASKA DRY BEAN COMMISSION

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of the Nebraska Dry Bean Commission 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 Dry Bean 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 Dry Bean Commission 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 September 1, 2000, on our consideration of the Nebraska Dry Bean Commission'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 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.

A handwritten signature in cursive script that reads "Julia Peralta CPA". The signature is written in black ink and is positioned to the right of the date.

September 1, 2000

Manager

NEBRASKA DRY BEAN COMMISSION
STATEMENT OF ASSETS, FUND BALANCES, AND OTHER CREDITS
ARISING FROM CASH TRANSACTIONS
SPECIAL REVENUE FUND TYPE AND GENERAL FIXED ASSETS ACCOUNT GROUP
June 30, 2000

	Governmental Fund Type	Account Group		General Fixed Assets	Totals (Memorandum Only)
<u>Assets</u>					
Cash in State Treasury	\$ 292,481	\$ -	\$	292,481	
Deposit with Vendors	150	-		150	
Deposit with Agriculture	517	-		517	
Property, Plant, and Equipment	-	6,257		6,257	
Total Assets	\$ 293,148	\$ 6,257	\$	299,405	
<u>Fund Balances and Other Credits</u>					
Other Credits,					
Investment in Fixed Assets	\$ -	\$ 6,257	\$	6,257	
Fund Balances:					
Unreserved, Undesignated	293,148	-		293,148	
Total Fund Balances and Other Credits	\$ 293,148	\$ 6,257	\$	299,405	

See Notes to Financial Statements.

NEBRASKA DRY BEAN COMMISSION
**STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES**
For the Fiscal Year Ended June 30, 2000

	Governmental Fund Type
	Special Revenue
RECEIPTS:	
Taxes:	
Dry Bean Fees	\$ 236,026
Refunds	(4,946)
Miscellaneous:	
Investment Interest	19,891
Other Miscellaneous	3,181
TOTAL RECEIPTS	254,152
 DISBURSEMENTS:	
Operating	311,239
Travel	20,427
Capital Outlay	744
TOTAL DISBURSEMENTS	332,410
Excess of Receipts Over (Under) Disbursements	(78,258)
FUND BALANCE, JULY 1, 1999	371,408
FUND BALANCE, JUNE 30, 2000	\$ 293,150

See Notes to Financial Statements.

NEBRASKA DRY BEAN COMMISSION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 For the Year Ended June 30, 2000

	CASH FUND		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:			
Taxes:			
Dry Beans Fees		\$ 236,026	
Refunds		(4,946)	
Miscellaneous:			
Investment Income		19,891	
Other Miscellaneous		3,181	
TOTAL RECEIPTS		254,152	
DISBURSEMENTS:			
Operating	\$ 435,291	311,239	\$ 124,052
Travel	28,791	20,427	8,364
Capital Outlay	6,000	744	5,256
TOTAL DISBURSEMENTS	470,082	332,410	137,672
Excess of Receipts Over (Under) Disbursements		(78,258)	
FUND BALANCES, JULY 1, 1999		371,408	
FUND BALANCES, JUNE 30, 2000		\$ 293,150	

See Notes to Financial Statements.

NEBRASKA DRY BEAN COMMISSION

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2000

1. **Summary of Significant Accounting Policies**

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

- A. **Reporting Entity.** The Nebraska Dry Bean 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 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 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 Dry Bean Commission. No component units were identified. The Nebraska Dry Bean 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 type and account group presented on the financial statements are those required by GAAP, and include:

NEBRASKA DRY BEAN 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 type established by the Nebraska Accounting System that is used by the Commission is:

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 appropriations bill to the Governor for signature. The Governor may: 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 vote of the Legislature.

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

NEBRASKA DRY BEAN 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.

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

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, 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.

Receipts are not budgeted. 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.

NEBRASKA DRY BEAN COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 [or estimated cost] by the Commission. Generally, all equipment which has an expected useful life of two or more years is capitalized.

Assets in the general fixed assets account group are not depreciated. The cost of normal maintenance and repairs that does 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 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 2000.

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

Taxes. Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. This consists of the Dry Bean fees and refunds.

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

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

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

NEBRASKA DRY BEAN COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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.

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, or destruction of assets, errors or 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 generally self-insures for general liability and workers compensation. The State has chosen to purchase insurance 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. Crime coverage, with a limit of \$1 million for each loss, and a \$10,000 retention per incident.
4. Real and personal property on a blanket basis for losses up to \$250,000,000, with a self-insured retention of \$100,000 per loss occurrence. The perils of flood and earthquake are covered up to \$9,000,000. Newly acquired properties are covered up to \$1,000,000 for 60 days or until the value of the property is reported to the insurance company.

NEBRASKA DRY BEAN 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. Worker's 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, or destruction of assets, errors or 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 Dry Bean Commission's financial statements.

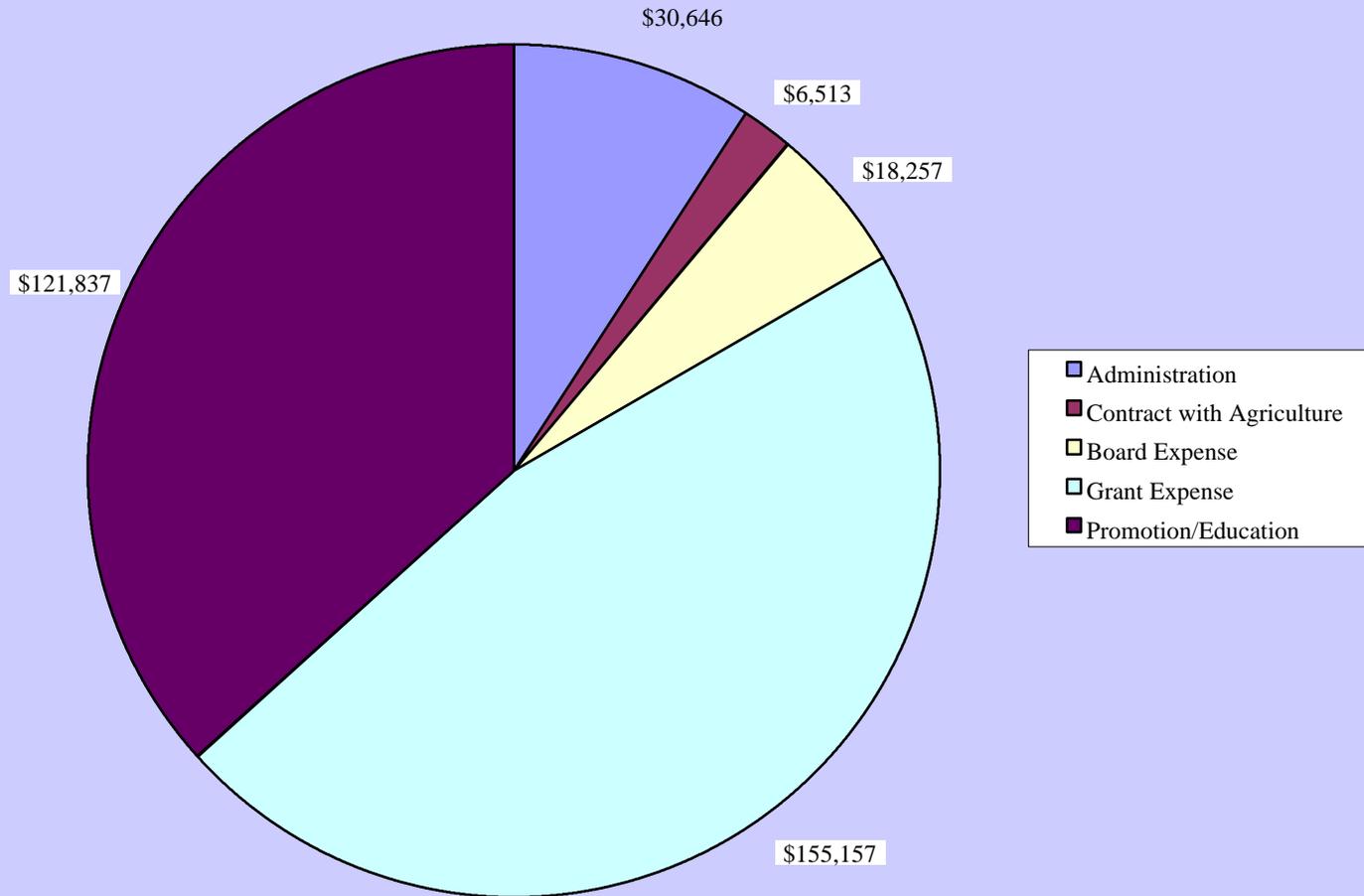
Litigation. The potential amount of liability involved in litigation pending against the Commission, if any, could not be determined at this time. However, it is the Commission's opinion that final settlement of those matters should not have an adverse effect on the Commission's ability to administer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

4. **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	\$ 5,612	\$ 645	\$ -	\$ 6,257

NEBRASKA DRY BEAN COMMISSION
SCHEDULE OF DISBURSEMENTS BY SUBPROGRAM
Fiscal Year Ended JUNE 30, 2000



STATE OF NEBRASKA
Auditor of Public Accounts



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NEBRASKA DRY BEAN 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 Dry Bean Commission as of and for the year ended June 30, 2000, and have issued our report thereon dated September 1, 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 Dry Bean Commission. 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 Dry Bean 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. We noted certain immaterial instances of noncompliance that we have reported to management of the Nebraska Dry Bean Commission in the Comments Section of the report as Comment Number 1 (Travel Reimbursements).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Dry Bean 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 cursive script that reads "Julia Peralcy CPA". The signature is written in black ink and is positioned to the right of the date.

September 1, 2000

Manager