

**AUDIT REPORT
OF THE NEBRASKA
DEPARTMENT OF REVENUE
MOTOR FUEL TAX ENFORCEMENT
AND COLLECTION DIVISION**

JULY 1, 2001 THROUGH JUNE 30, 2002

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NEBRASKA DEPARTMENT OF REVENUE
MOTOR FUEL TAX ENFORCEMENT AND COLLECTION DIVISION

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NEBRASKA DEPARTMENT OF REVENUE
MOTOR FUEL TAX ENFORCEMENT AND COLLECTION DIVISION

BACKGROUND

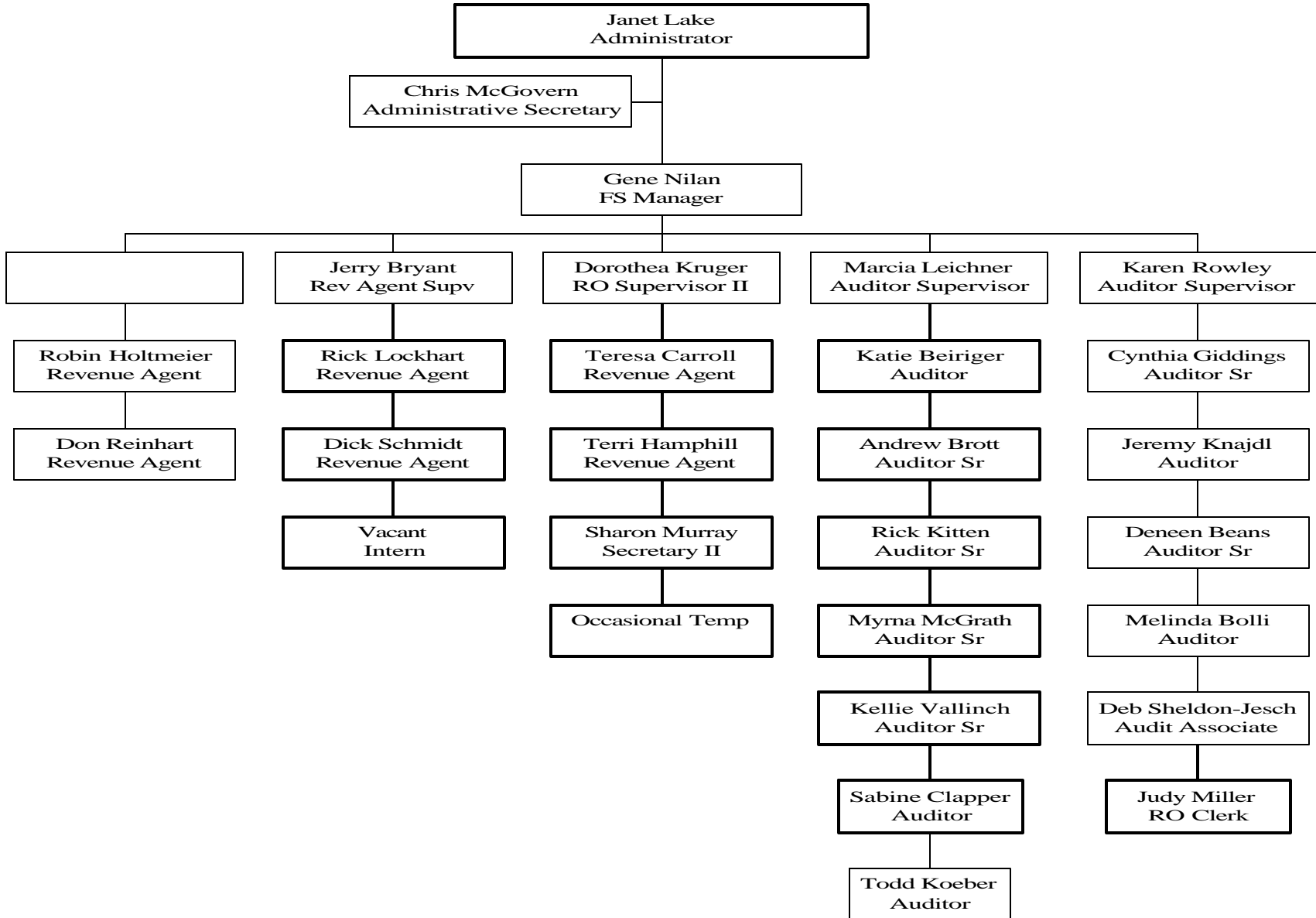
The Motor Fuel Tax Enforcement and Collection Division (Division) was created within the Nebraska Department of Revenue in 1991. The Division's objectives are 1) to administer all motor fuel tax programs, ensuring compliance with State laws; 2) to provide assistance to taxpayers regarding motor fuel tax programs; and 3) to ensure compliance with laws through an increased emphasis on collections, audits, and investigations. Tax programs include Motor Vehicle Fuels, Diesel Fuels, Compressed Fuels, Alternative Fuels, and the Petroleum Release Remedial Action Act. The Division is also responsible for the Ethanol Producers Incentive Program. The Division had 27 employees at June 30, 2002.

MISSION STATEMENT

We will serve the public through the administration of the State tax laws in a fair, courteous, and efficient manner.

NEBRASKA DEPARTMENT OF REVENUE
MOTOR FUEL TAX ENFORCEMENT AND COLLECTION DIVISION

ORGANIZATIONAL CHART



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NEBRASKA DEPARTMENT OF REVENUE MOTOR FUEL TAX ENFORCEMENT AND COLLECTION DIVISION

Kate Witek
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INDEPENDENT AUDITORS' REPORT

Deann Haeffner, CPA
Deputy State Auditor
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We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Nebraska Department of Revenue - Motor Fuel Tax Enforcement and Collection Division (Division), as of and for the year ended June 30, 2002, which collectively comprise the Division's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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Pat Reding, CPA
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We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 our audit provides a reasonable basis for our opinions.

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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.

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Also, as discussed in Note 1, the financial statements of the Nebraska Department of Revenue - Motor Fuel Tax Enforcement and Collection Division, are intended to present the cash balances and changes in cash balances of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Nebraska

Department of Revenue - Motor Fuel Tax Enforcement and Collection Division. They do not purport to, and do not, present fairly the cash balances of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Nebraska as of June 30, 2002, and its changes in cash balances for the year then ended 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 respective cash balances of the governmental activities, each major fund, and the aggregate remaining fund information of the Nebraska Department of Revenue - Motor Fuel Tax Enforcement and Collection Division, as of June 30, 2002, and the respective changes in cash balances thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2002, on our consideration of the Nebraska Department of Revenue - Motor Fuel Tax Enforcement and Collection Division's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Division's basic financial statements. The accompanying combining statement and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Nebraska Department of Revenue - Motor Fuel Tax Enforcement and Collection Division. Such information, except for that portion marked "unaudited," on which we express no opinion, 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.

August 29, 2002

Pat Reding, CPA

Assistant Deputy Auditor

NEBRASKA DEPARTMENT OF REVENUE
MOTOR FUEL TAX ENFORCEMENT AND COLLECTION DIVISION
STATEMENT OF NET ASSETS ARISING FROM CASH TRANSACTIONS
June 30, 2002

	GOVERNMENTAL ACTIVITIES TOTAL (Memorandum Only)
Assets	
Cash in State Treasury	\$ 2,934,127
Net Assets	
Restricted for:	
Motor Fuel Tax Enforcement	\$ 2,916,144
Unrestricted	17,983
Total Net Assets	\$ 2,934,127

The accompanying notes are an integral part of the financial statements.

NEBRASKA DEPARTMENT OF REVENUE
MOTOR FUEL TAX ENFORCEMENT AND COLLECTION DIVISION
STATEMENT OF ACTIVITIES - CASH BASIS
June 30, 2002

	Governmental Activities TOTAL (Memorandum Only)	FUNCTION	
		Regulation of Business and Professions	Transportation
Disbursements:			
Personal Services	\$ 1,437,136	\$ 1,437,136	\$ -
Operating	204,283	204,283	-
Travel	52,369	52,369	-
Capital Asset Purchases	31,205	31,205	-
Total Disbursements	<u>1,724,993</u>	<u>1,724,993</u>	<u>-</u>
Program Receipts:			
Charges for Services	3,043	423	2,620
Operating Grants & Contributions	220,381	220,381	-
Net Program Receipts (Disbursements)	<u>(1,501,569)</u>	<u>(1,504,189)</u>	<u>2,620</u>
General Receipts and Other Financing Sources & Uses:			
Unrestricted Investment Interest	960		
Other Financing Sources & Uses	<u>65,643</u>		
Total General Receipts, and Other Financing Sources & Uses	<u>66,603</u>		
Change in Net Assets	(1,434,966)		
Net Assets July 1, 2001	<u>4,369,093</u>		
Net Assets June 30, 2002	<u>\$ 2,934,127</u>		

The accompanying notes are an integral part of the financial statements.

NEBRASKA DEPARTMENT OF REVENUE
MOTOR FUEL TAX ENFORCEMENT AND COLLECTION DIVISION
STATEMENT OF ASSETS AND FUND BALANCES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS

June 30, 2002

	<u>Major Fund</u>		<u>Total</u>
	Motor		Governmental
	Fuel Tax		Funds
	Enforcement		(Memorandum
<u>Assets</u>	<u>Fund 2170</u>	<u>Other Funds</u>	<u>Only)</u>
Cash in State Treasury	\$ 2,916,144	\$ 17,983	\$ 2,934,127
	\$ 2,916,144	\$ 17,983	\$ 2,934,127
Fund Balances			
Unreserved	\$ 2,916,144	\$ -	2,916,144
Unreserved, Reported in			
Nonmajor Special Revenue Funds	-	17,983	17,983
	\$ 2,916,144	\$ 17,983	\$ 2,934,127
Total Fund Balances	\$ 2,916,144	\$ 17,983	\$ 2,934,127

The accompanying notes are an integral part of the financial statements.

NEBRASKA DEPARTMENT OF REVENUE
MOTOR FUEL TAX ENFORCEMENT AND COLLECTION DIVISION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2002

	<u>Major Fund</u>		Total
	Motor Fuel Tax Enforcement Fund 2170	Other Funds	Governmental Funds (Memorandum Only)
RECEIPTS:			
Federal Grants & Contracts	\$ 27,479	\$ -	\$ 27,479
Sales & Charges	-	2,620	2,620
Miscellaneous:			
Investment Interest	192,902	960	193,862
Other Miscellaneous	-	423	423
TOTAL RECEIPTS	<u>220,381</u>	<u>4,003</u>	<u>224,384</u>
DISBURSEMENTS BY FUNCTION:			
Regulation of Business and Professions	1,695,919	29,074	1,724,993
Transportation	-	-	-
TOTAL DISBURSEMENTS	<u>1,695,919</u>	<u>29,074</u>	<u>1,724,993</u>
Excess of Receipts Over (Under) Disbursements	<u>(1,475,538)</u>	<u>(25,071)</u>	<u>(1,500,609)</u>
OTHER FINANCING SOURCES (USES):			
Sales of Assets	33	-	33
Deposits to Common Fund	-	(2,620)	(2,620)
Operating Transfers In	41,000	27,230	68,230
TOTAL OTHER FINANCING SOURCES (USES)	<u>41,033</u>	<u>24,610</u>	<u>65,643</u>
Net Change in Fund Balances	(1,434,505)	(461)	(1,434,966)
FUND BALANCE, JULY 1, 2001	<u>4,350,649</u>	<u>18,444</u>	<u>4,369,093</u>
FUND BALANCE, JUNE 30, 2002	<u>\$ 2,916,144</u>	<u>\$ 17,983</u>	<u>\$ 2,934,127</u>

The accompanying notes are an integral part of the financial statements.

NEBRASKA DEPARTMENT OF REVENUE
MOTOR FUEL TAX ENFORCEMENT AND COLLECTION DIVISION

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2002

1. Summary of Significant Accounting Policies

The accounting policies of the Nebraska Department of Revenue - Motor Fuel Tax Enforcement and Collection Division are on the basis of accounting as described in the Nebraska Accounting System Manual.

A. Reporting Entity

The Nebraska Department of Revenue - Motor Fuel Tax Enforcement and Collection Division (Division) is a program within the Nebraska Department of Revenue. The Nebraska Department of Revenue is a State agency established under and governed by the laws of the State of Nebraska. As such, the Division is exempt from State and Federal income taxes. The financial statements include all funds of the Division.

The Nebraska Department of Revenue - Motor Fuel Tax Enforcement and Collection Division is part of the primary government for the State of Nebraska's reporting entity.

B. Basis of Presentation

Division-wide Financial Statements. The Statement of Net Assets Arising from Cash Transactions and Statement of Activities - Cash Basis display information about the activities of the Division, and are in the format of government-wide statements as required by Governmental Accounting Standards Board (GASB) Statement Number 34. These statements include all the financial activities of the Division. Internal activities in these statements have not been eliminated. Governmental generally accepted accounting principles (GAAP) would require internal activity to be eliminated to minimize double counting. The Division reports governmental activities only. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities demonstrates the degree to which the direct disbursement of a given function or segment is offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. General receipts include all other receipts properly not included as program receipts. The Division reported the following general receipts: investment interest and transfers.

NEBRASKA DEPARTMENT OF REVENUE
MOTOR FUEL TAX ENFORCEMENT AND COLLECTION DIVISION

NOTES TO FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Continued)

Fund Financial Statements. The Statement of Assets and Fund Balances Arising From Cash Transactions and the Statement of Receipts, Disbursements, and Changes in Fund Balances provide information about the Division's funds. GAAP requires separate statements by fund category - governmental, proprietary, and fiduciary. The Division uses only the governmental fund category. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Division reports the following major governmental fund:

Motor Fuel Tax Enforcement and Collection Cash Fund 2170 which consists of appropriations to the fund and money transferred to it from the collection of fuel taxes pursuant to Neb. Rev. Stat. Section 39-2215(4) R.R.S. 1998. The Fund is to be used for the costs of the Motor Fuel Tax Enforcement and Collection Division per Neb. Rev. Stat. Section 66-739 R.R.S. 1996.

C. Measurement Focus, Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The accounting records of the Division are maintained and the Division-wide financial statements were reported on the basis of cash receipts and disbursements. As such, the measurement focus includes only those assets and fund balances arising from cash transactions on the Statement of Net Assets Arising From Cash Transactions and the Statement of Activities-Cash Basis. Revenues are recognized when received and expenditures are recognized when paid for all funds of the Division. This differs from governmental generally accepted accounting principles (GAAP), which require the government-wide financial statements to be reported using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus and basis of accounting revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements were also reported on the cash receipt and disbursement basis of accounting. As such, the same measurement focus and basis of accounting were used as described above. This differs from governmental generally accepted accounting principles (GAAP), which require governmental fund financial statements to be reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this measurement focus and basis of accounting, revenues are recognized

NEBRASKA DEPARTMENT OF REVENUE
MOTOR FUEL TAX ENFORCEMENT AND COLLECTION DIVISION

NOTES TO FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Continued)

as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State of Nebraska considers revenues to be available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

D. Assets and Net Assets

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. All of the funds of the Division were designated for investment during fiscal year 2002.

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

Capital Assets. Under the cash receipts and disbursements basis of accounting, capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as disbursements in governmental funds. GAAP requires capital assets, which would include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) to be reported in the applicable governmental activities columns in the government-wide financial statements.

Depreciation expenses on capital assets was not recorded on the cash basis financial statements. Under GAAP, depreciation expenses would be recorded in the Statement of Activities. The cost of normal maintenance and repairs that does not add to the value of the asset or extend asset life is not capitalized.

Compensated Absences. All permanent employees working for the Division 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 the receipts and disbursements basis of accounting, the liabilities for compensated absences are not reported since they do not represent liabilities arising from cash transactions. Under GAAP, the compensated absences liability would be reported in the

NEBRASKA DEPARTMENT OF REVENUE
MOTOR FUEL TAX ENFORCEMENT AND COLLECTION DIVISION

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Concluded)

government-wide financial statements, and would be recorded in accordance with the State of Nebraska policy which is to recognize the expense and accrued liability when vacation and compensatory leave is earned or when sick leave is expected to be paid as termination payments.

Restricted Net Assets. When both restricted and unrestricted resources are available for use, it is the Division's policy to use restricted resources first, then the unrestricted resources, as they are needed. Net assets are reported as restricted when constraints placed on their use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The Motor Fuel Tax Enforcement and Collection Cash Fund 2170 shall be used exclusively for the cost of the Motor Fuel Tax Enforcement and Collection Division and related costs per Neb. Rev. Stat. Section 66-739 R.R.S. 1996.

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 because interfund balances and transactions have not been eliminated.

3. Contingencies and Commitments

Risk Management. The Division is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors or omissions, injuries to employees, and natural disasters. The Division, 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:

- A. 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. State agencies have the option to purchase coverage for physical damage to vehicles.
- B. The DAS-Personnel Division maintains health care and life insurance for eligible employees.

NEBRASKA DEPARTMENT OF REVENUE
MOTOR FUEL TAX ENFORCEMENT AND COLLECTION DIVISION

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. Contingencies and Commitments (Concluded)

- C. Crime coverage, with a limit of \$1 million for each loss, and a \$10,000 retention per incident.
- D. Real and personal property on a blanket basis for losses up to \$250,000,000, with a self-insured retention of \$200,000 per loss occurrence. 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. The perils of flood and earthquake are covered up to \$10,000,000.
- E. State agencies have the option to purchase building contents and inland marine coverage.

Health care insurance is funded in the Compensation Insurance Trust Fund through a combination of employee and State contributions. Workers' compensation is funded in the Workers' Compensation 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 Department of Revenue - Motor Fuel Tax Enforcement and Collection Division's financial statements.

Litigation. The potential amount of liability involved in litigation pending against the Division, if any, could not be determined at this time. However, it is the Division's opinion that final settlement of those matters should not have an adverse effect on the Division's ability to administer current programs. Any judgment against the Division 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 Board in accordance with the provisions of the State Employees Retirement Act and may be amended by legislative action. In the defined contribution plan, retirement benefits depend on total contributions, investment earnings, and the investment options selected. Prior to April 18, 2002, membership in the Plan was mandatory for all permanent full-time employees on reaching the age of thirty and completion of twenty-four months of continuous service. Full time employee is defined as an employee who is employed to work one-half or more of the

NEBRASKA DEPARTMENT OF REVENUE
MOTOR FUEL TAX ENFORCEMENT AND COLLECTION DIVISION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

regularly scheduled hours during each pay period. Voluntary membership is permitted for all permanent full-time or permanent part-time employees upon reaching age twenty and completion of twelve months of permanent service within a five-year period. Any individual appointed by the Governor may elect to not become a member of the Plan. Legislative Bill 687 (2002), effective April 18, 2002, stated all permanent full-time employees shall begin participation in the plan upon completion of twelve continuous months of service.

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 pay a sum equal to 4.8% of their monthly compensation for the remainder of such calendar year. The Division matches the employee's contribution at a rate of 156%.

The employee's account is fully vested. The employer's account is vested 100% after five years participation in the system (prior to April 18, 2002) or at retirement. Legislative Bill 687 (2002), effective April 18, 2002, changed the vesting requirement to a total of three years of participation in the system, which includes the 12-month eligibility period or credit for participation in another governmental plan prior to actual contribution to the Plan.

For the fiscal year ended June 30, 2002, employees contributed \$45,592 and the Division contributed \$71,124.

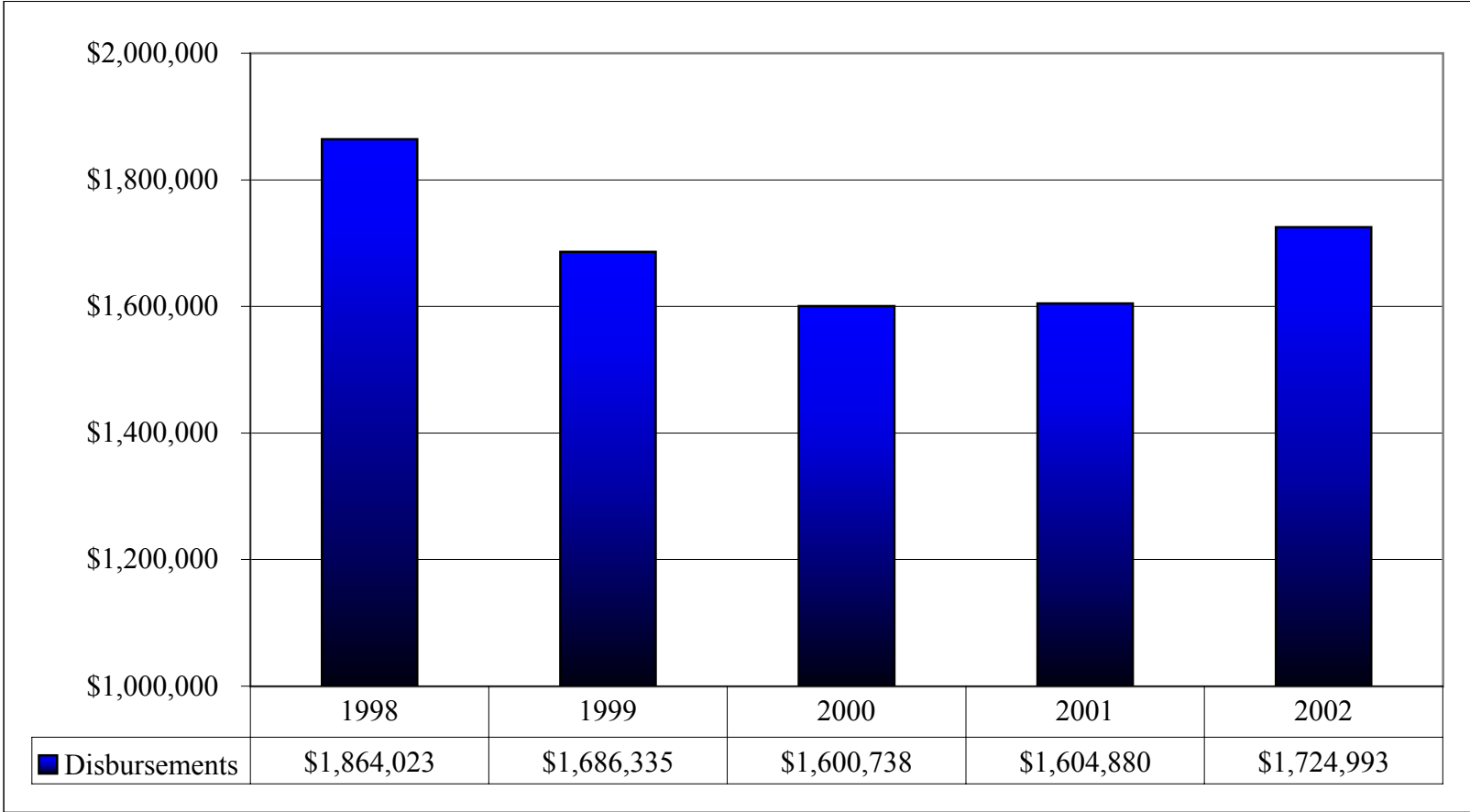
5. Transfers

Operating Transfers In to the Motor Fuel Tax Enforcement and Collection Cash Fund represents amounts transferred from the Highway Trust Fund as required by Neb. Rev. Stat. Section 39-2215(4) R.R.S. 1998 and 2001 Neb. Laws LB 543, Section 268. These monies are used for the operation of the Division. Operating Transfers In also includes amounts transferred to the Petroleum Release Remedial Action Collection Fund to reimburse the direct costs of collecting and administering the petroleum release remedial action fee per Neb. Rev. Stat. Section 66-1521(4) R.S.Supp., 2000.

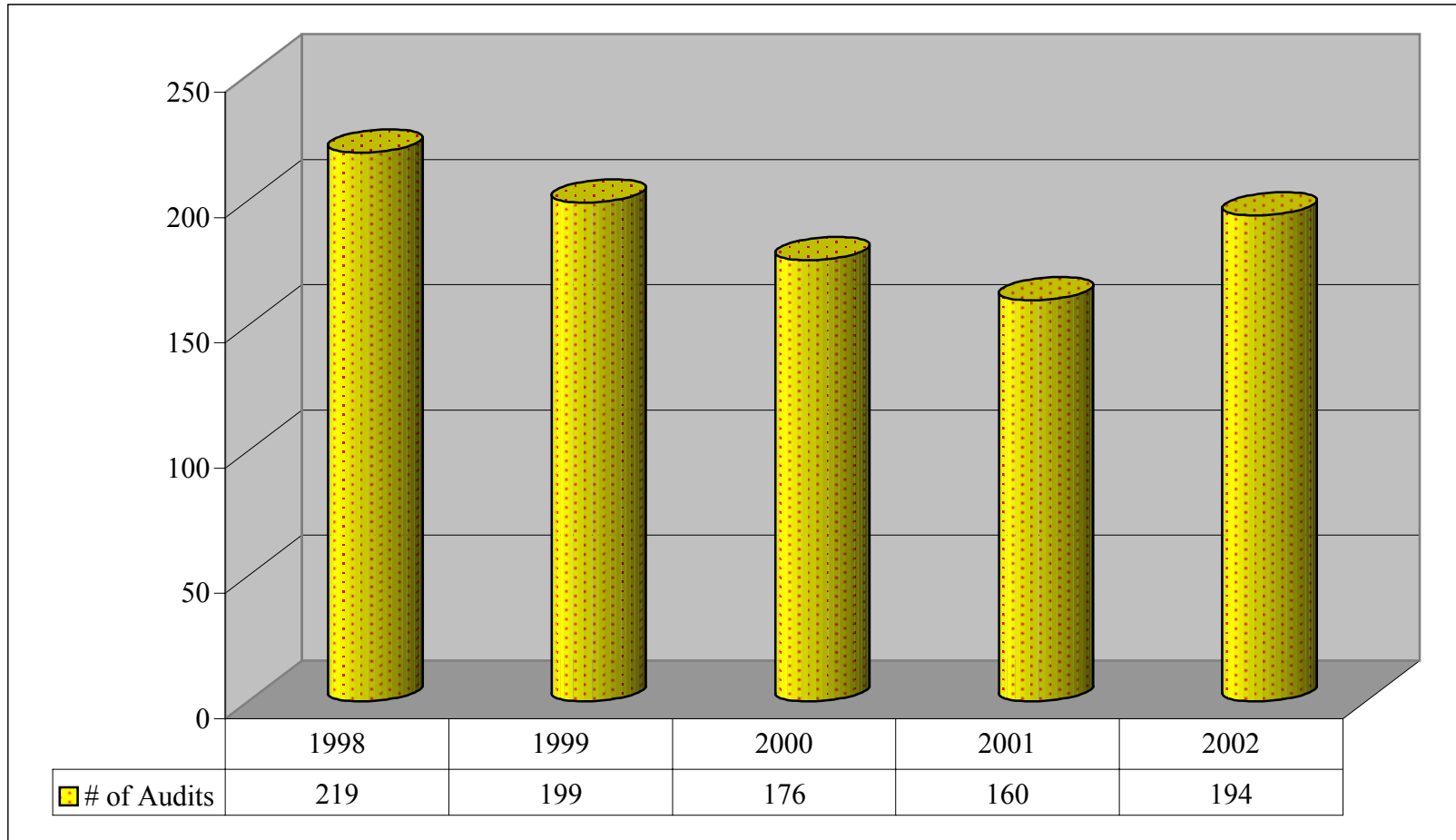
NEBRASKA DEPARTMENT OF REVENUE
MOTOR FUEL TAX ENFORCEMENT AND COLLECTION DIVISION
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2002

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Petroleum Release Remediation Fund 2159	Motor Fuel Refund Administration Fund 2162	Highway Cash Fund 2271	Investigative Forfeiture Fund 4161	
RECEIPTS:					
Sales & Charges	\$ -	\$ -	\$ 2,620	\$ -	\$ 2,620
Miscellaneous:					
Investment Interest	-	-	-	960	960
Other Miscellaneous	-	-	-	423	423
TOTAL RECEIPTS	<u>-</u>	<u>-</u>	<u>2,620</u>	<u>1,383</u>	<u>4,003</u>
DISBURSEMENTS BY FUNCTION:					
Regulation of Business and Professions	27,049	181	-	1,844	29,074
Transportation	-	-	-	-	-
TOTAL DISBURSEMENTS	<u>27,049</u>	<u>181</u>	<u>-</u>	<u>1,844</u>	<u>29,074</u>
Excess of Receipts Over Disbursements	<u>(27,049)</u>	<u>(181)</u>	<u>2,620</u>	<u>(461)</u>	<u>(25,071)</u>
OTHER FINANCING SOURCES (USES):					
Deposits to Common Fund	-	-	(2,620)	-	(2,620)
Operating Transfers In	27,049	181	-	-	27,230
TOTAL OTHER FINANCING SOURCES (USES)	<u>27,049</u>	<u>181</u>	<u>(2,620)</u>	<u>-</u>	<u>24,610</u>
Net Change in Fund Balances	-	-	-	(461)	(461)
FUND BALANCE, JULY 1, 2001	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,444</u>	<u>18,444</u>
FUND BALANCE, JUNE 30, 2002	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,983</u>	<u>\$ 17,983</u>

NEBRASKA DEPARTMENT OF REVENUE
 MOTOR FUEL TAX ENFORCEMENT AND COLLECTION DIVISION
SCHEDULE OF DISBURSEMENTS
 Fiscal Years Ended June 30, 1998 through 2002



NEBRASKA DEPARTMENT OF REVENUE
 MOTOR FUEL TAX ENFORCEMENT AND COLLECTION DIVISION
SCHEDULE - NUMBER OF AUDITS
 Fiscal Years Ended June 30, 1998 through 2002
UNAUDITED



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NEBRASKA DEPARTMENT OF REVENUE
MOTOR FUEL TAX ENFORCEMENT AND COLLECTION DIVISION
**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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We have audited the financial statements of the Nebraska Department of Revenue - Motor Fuel Tax Enforcement and Collection Division as of and for the year ended June 30, 2002, and have issued our report thereon dated August 29, 2002. 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 Department of Revenue - Motor Fuel Tax Enforcement and Collection Division. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Department of Revenue - Motor Fuel Tax Enforcement and Collection Division's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Department of Revenue - Motor Fuel Tax Enforcement and Collection Division's internal control over financial reporting in order to determine our auditing procedures

for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Division, 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

Assistant Deputy Auditor

August 29, 2002