



KATE WITEK, AUDITOR OF PUBLIC ACCOUNTS
 STATE CAPITOL, SUITE 2303
 LINCOLN, NEBRASKA 68509
 (402) 471-2111

**Audit Report of the
 Nebraska Arts Council
 July 1, 2001 through June 30, 2002**

Report Highlights

Issued November 13, 2002

**Comments and
 Recommendations**

- Grant Procedures and Monitoring
- Inadequate Documentation for Separation Agreement
- Lack of Supporting Documentation
- Travel Expenses
- Employee Expense Reimbursements
- Internal Control Over Receipts
- Lack of Separation of State and Non-Profit Functions
- Procedures Over Capital Assets
- Annual Art Inspection

The Nebraska Arts Council consists of 15 members who are appointed by the Governor. The Council promotes the arts, cultivates resources, and supports excellence in artistic endeavors by providing grants supporting arts activities, developing leadership initiatives, and offering publications and reference services.

In 1998, a financial partnership between the Nebraska Arts Council and the Nebraska Humanities Council (a private, non-profit organization) created the Nebraska Cultural Preservation Endowment Fund and the Nebraska Arts and Humanities Cash Fund. In August 1998, five million dollars was transferred from the General Fund to the Endowment Fund. Also, investment earnings from the Endowment Fund are credited to the Nebraska Arts and Humanities Cash Fund in a ratio of seventy percent to projects, endowments, or programs designated by the Nebraska Arts Council and thirty percent to projects, endowments, or programs designated by the Nebraska Humanities Council.

Our report included nine Comments and Recommendations relating to internal controls and compliance with State laws. Specific areas of concern included:

❑ The Council awarded \$1,468,046 in governmental aid. The Council's overall policy for subrecipient monitoring should be improved. Five of seven grant recipients tested did not submit the final report to the Council as required by Council guidelines.

❑ There was not adequate documentation to support the separation agreement between the Council and the former executive director. Under the agreement, the former executive director was to be paid \$29,294.

❑ The Council paid \$10,000 in State general funds to the Nebraska Cultural Endowment without adequate documentation to support the payment.

❑ There were several issues related to travel expenses of the Council, including an unreasonable expense to a conference in excess of \$9,000, unallowable lodging expenses, inadequate documentation for reimbursement of expenses, unreasonable meal expense reimbursements, and the improper completion of reimbursement request forms.

❑ One employee purchased office supplies and other items, and was reimbursed for the purchases. The employee was reimbursed \$1,180 during fiscal year 2002 and \$8,200 during fiscal year 2001 for

these purchases. The purchasing procedures of the Council were not followed.

❑ There was a lack of segregation of duties over the receipt process. The initial log of monies received did not include dollar amounts and was not reconciled with the document to record and post the receipt to the accounting system. Three of five receipts were not deposited within 3 business days as required by statute.

❑ Council employees provided services to two not-for-profit organizations but did not keep track of their time and did not receive compensation for the services. Additionally, the Council reimbursed a non-State employee for expenses when the not-for-profit organization should have paid the expenses.

❑ One employee performed almost all functions related to capital assets without review by another employee. Some errors were noted in testing of capital assets.

❑ The Council did not complete an annual inspection of all works of art purchased under the One Percent for Arts program, as required by statute. The total amount of works of art on the inventory listing maintained by the Council was \$1,447,515.

We have detailed our findings, the Council's responses, and our responses in the Comments and Recommendations section of the report, which can be accessed at www.auditors.state.ne.us.

