

**AUDIT REPORT  
OF THE  
NEBRASKA BOARD OF PUBLIC ACCOUNTANCY**

**JULY 1, 2001 THROUGH JUNE 30, 2002**

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NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

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# NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

## **BACKGROUND**

In 1957, the Legislature created the Nebraska State Board of Public Accountancy comprised of eight members appointed by the Governor. Six of the eight members must be certified public accountants and two members must be laypersons. In addition, two certified public accountant members must reside in each congressional district.

The Board issues permits to practice public accountancy to certified public accountants, public accountants, partnerships, limited liability companies, and professional corporations; administers the Certified Public Accountants (CPA) examination; requires continuing professional education programs for licensed accountants; monitors compliance by licensed accountants with professional standards and investigates complaints registered with the Board. The Board's operations are financed solely by registration, permit, and examination fees collected.

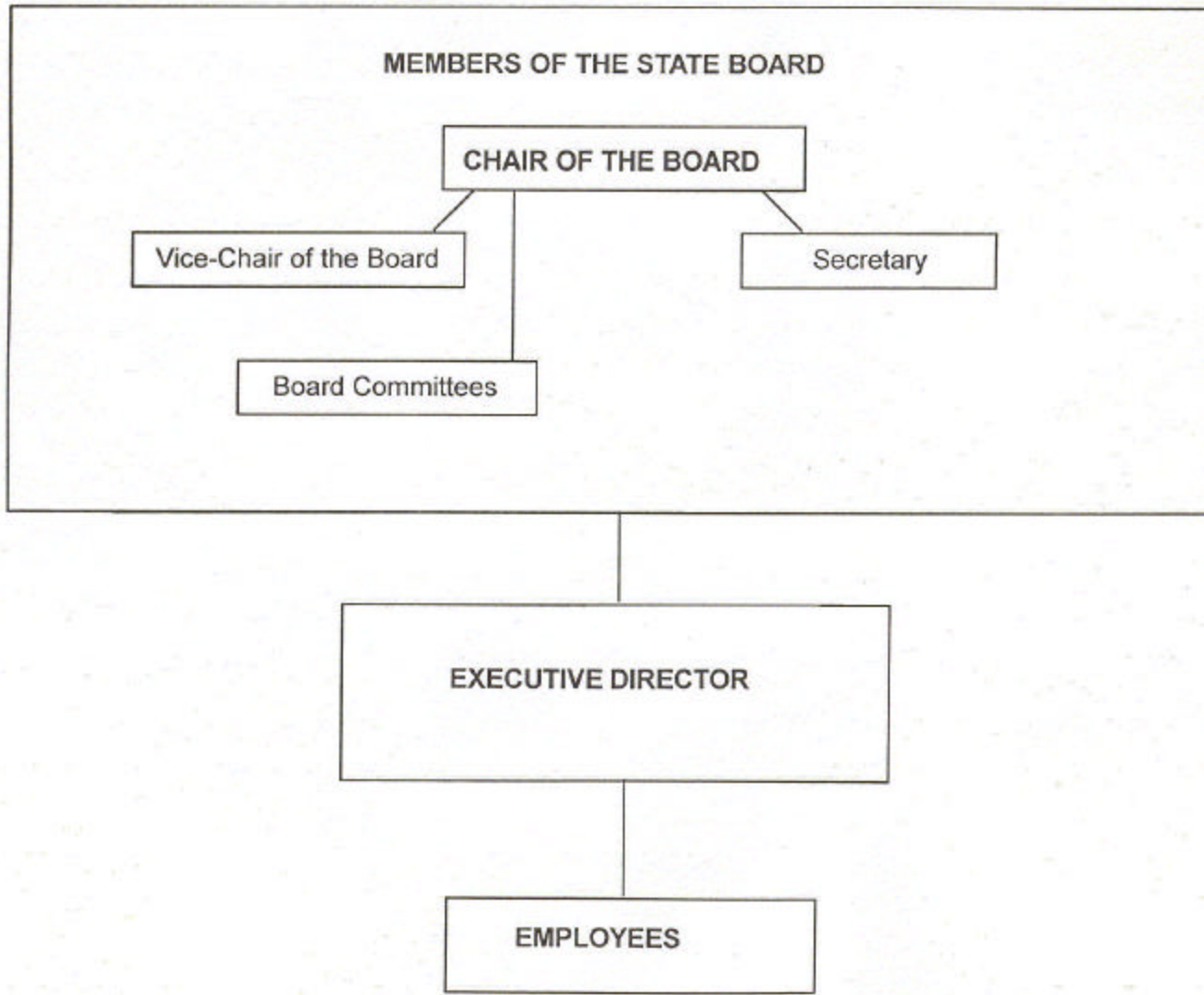
## **MISSION STATEMENT**

To protect the welfare of the State by assuring the competency of licensed accountants.

To serve the needs of the public accountancy membership by assisting them in complying with Nebraska law and Board-promulgated rules and regulations.

NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

ORGANIZATIONAL CHART



## NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

### SUMMARY OF COMMENTS

During our audit of the Nebraska Board of Public Accountancy, 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. ***Internal Controls - Receipts:*** There was not an adequate segregation of duties over receipts. One individual created the initial record of a receipt, entered the receipt into the computer, issued the permit or certificate, and prepared the general document for deposit.
2. ***Receipts:*** All receipts were not given a receipt number and receipts for each day were not in sequential order. Also, some of the receipt numbers were handwritten on the daily computerized receipt report and not printed by the computer.
3. ***Documentation of Procedures and Responsibilities:*** There was not adequate written documentation explaining the responsibilities of, and the processes and procedures, including internal control processes and procedures, to be completed by employees and Board members.

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

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

# NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

## COMMENTS AND RECOMMENDATIONS

### 1. Internal Controls - Receipts

Good internal control requires a segregation of duties to reduce the risk of loss or misuse of State funds. One individual should not be responsible for all aspects of a transaction.

There was a lack of segregation of duties over the receipting process. No initial control was established when the mail was opened. The same individual was responsible for creating an adding machine tape of monies received, entering the receipt into the computer, issuing the permit or certificate, and preparing the general document for deposit. Another individual completed a reconciliation between the computer system reports and the monies deposited. However, because the computer system allowed receipt transactions to be edited at any time and edit reports were not generated, there was a possibility permits or certificates could be issued without the fee being deposited.

There is an increased risk of loss or misuse of State funds when an adequate segregation of duties is not in place.

We recommend the Board implement procedures to ensure there is an adequate segregation of duties over the receipting process.

### 2. Receipts

Good internal control requires a receipt to be generated for all monies received. Receipt numbers should be automatically assigned in sequential order by the computer.

Not all receipts were given a receipt number, and receipts for each day were not in sequential order. Also, a portion of the receipt numbers were handwritten on the daily computerized receipt report and not printed by the computer. Staff were not aware of why some receipt numbers were handwritten and some were printed by the computer.

There is an increased risk of loss or misuse of State funds when some monies are not receipted and receipts are not issued automatically by the computer.

We recommend the Board implement procedures to ensure there is a sequential receipt number assigned for all monies received.

### 3. Documentation of Procedures and Responsibilities

Good internal control requires written documentation explaining the responsibilities of, and the processes and procedures, including internal control procedures, to be completed by Board members and staff. Documentation should be available in the event of absence or termination of employees or changes in Board members so internal control processes remain in place and new employees and Board members are aware of the duties and responsibilities required by each position.

NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

**COMMENTS AND RECOMMENDATIONS**

**3. Documentation of Procedures and Responsibilities (Concluded)**

Specific detailed written documentation explaining the responsibilities of, and the processes and procedures, including internal control processes and procedures, to be completed by Board members and employees was not available. Staff were unable to run specific reports to supply the auditors information related to testing of receipts.

Without written documentation of processes and procedures there is an increased risk critical procedures will not be completed correctly or in a timely manner in the event of the absence or termination of key employees or changes in Board members.

We recommend the Board implement procedures to ensure there is adequate written documentation of critical processes and procedures.

# STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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P.O. Box 98917  
State Capitol, Suite 2303  
Lincoln, NE 68509  
402-471-2111, FAX 402-471-3301  
[www.auditors.state.ne.us](http://www.auditors.state.ne.us)

**Kate Witek**  
State Auditor  
[kwitek@mail.state.ne.us](mailto:kwitek@mail.state.ne.us)

## NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

### INDEPENDENT AUDITORS' REPORT

**Deann Haeffner, CPA**  
Deputy State Auditor  
[haeffner@mail.state.ne.us](mailto:haeffner@mail.state.ne.us)

**Don Dunlap, CPA**  
Asst. Deputy Auditor  
[ddunlap@mail.state.ne.us](mailto:ddunlap@mail.state.ne.us)

**Pat Reding, CPA**  
Asst. Deputy Auditor  
[reding@mail.state.ne.us](mailto:reding@mail.state.ne.us)

**Tim Channer, CPA**  
Asst. Deputy Auditor  
[channer@mail.state.ne.us](mailto:channer@mail.state.ne.us)

**Mary Avery**  
SAE/Finance Manager  
[MaryJAvery@aol.com](mailto:MaryJAvery@aol.com)

**Dennis Meyer**  
Budget Coordinator  
[dmeyer@mail.state.ne.us](mailto:dmeyer@mail.state.ne.us)

**Mark Avery, CPA**  
Subdivision Audit  
Review Coordinator  
[mavery@mail.state.ne.us](mailto:mavery@mail.state.ne.us)

**Robert Hotz, JD**  
Legal Counsel  
[robhotz@mail.state.ne.us](mailto:robhotz@mail.state.ne.us)

We have audited the accompanying financial statements of the governmental activities and each major fund of the Nebraska Board of Public Accountancy (Board), as of and for the year ended June 30, 2002, which collectively comprise the Board's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

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.

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 of the Nebraska Board of Public Accountancy, are intended to present the cash balances and changes in cash balances of only that portion of the governmental activities and each major fund of the State that is attributable to the transactions of the Nebraska Board of Public



Accountancy. They do not purport to, and do not, present fairly the cash balances of the governmental activities and each major fund 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 and each major fund of the Nebraska Board of Public Accountancy, 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 January 17, 2003, on our consideration of the Nebraska Board of Public Accountancy'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 Board's basic financial statements. The Management's Discussion and Analysis and budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules, Management's Discussion and Analysis, and budgetary comparison information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Handwritten signature of Timothy J. Chamber CPA in black ink.

Assistant Deputy Auditor

January 17, 2003

## NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Nebraska Board of Public Accountancy's financial report presents a narrative overview and analysis of the financial activities of the Nebraska Board of Public Accountancy for the fiscal year ended June 30, 2002. Please read it in conjunction with the Board's financial statements, which follow this section.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Nebraska Board of Public Accountancy's basic financial statements. The Board's basic financial statements have three components: 1) agency-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains information in addition to the basic financial statements.

**Agency-Wide Financial Statements.** The Statement of Net Assets Arising from Cash Transactions and the Statement of Activities – Cash Basis provide a broad overview of the Board's overall financial status. Over time, increases or decreases in the Board's net assets are one indicator of whether its financial health is improving or deteriorating. The Board's financial statements are prepared on the cash basis of accounting and do not include capital assets, accounts receivable and payable, or long-term debt activity, which would need to be considered to assess the financial health of the Board. Nonfinancial factors also need to be considered to assess the overall health of the Board. Agency-wide financial statements divide the Board into three kinds of activities:

Governmental activities – The Board's basic services are included here. These activities are generally financed through charges for services.

Business-type activities – Activities financed by fees charged to external parties for goods or services would be included here. The Board had no business-type activities for fiscal year ended June 30, 2002.

Component units – No component units for the Board were identified.

**Fund Financial Statements.** Fund financial statements focus on the individual parts of the Board, reporting the Board's operations in more detail than the agency-wide statements by providing information about the Board's most significant "major" funds. Funds are accounting devices used to keep track of specific sources of funding and spending for particular purposes.

The governmental funds statements tell how general governmental activities were financed in the short term as well as what remains for future spending.

The proprietary fund statements offer financial information about the activities the government operates like businesses. The Board currently has no proprietary funds.

## NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiduciary fund statements provide information about financial relationships in which the Board acts solely as a trustee or agent for the benefit of others. Fiduciary funds are not included on the agency-wide statements. The Board currently has no fiduciary funds.

**Notes to the Financial Statements.** The notes to the financial statements are an integral part of the agency-wide and fund financial statements and provide essential information necessary for fair presentation of the financial statements.

**Supplementary Information.** This Management Discussion and Analysis and the Budgetary Comparison Schedule represent financial information which provides users of this report with additional data that supplements the agency-wide statements, fund financial statements, and notes. This report also includes optional financial information such as schedules of Certified Public Accountant Examination Statistics and Certified Public Accountant Permits and Inactive Registrations. This information is provided to address certain specific needs of various users of the report.

#### **BASIS OF ACCOUNTING**

The Nebraska Board of Public Accountancy's financial statements are presented on the cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities. Under the cash basis of accounting, receipts and disbursements and related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Also, capital assets (land, buildings, furniture, equipment, and infrastructure) and the related depreciation are not recorded. Therefore, when reviewing the financial information and discussion within this report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

#### **FINANCIAL ANALYSIS OF THE BOARD AS A WHOLE**

##### **Changes in Net Assets**

For the fiscal year ended June 30, 2002, net assets of the Board (current assets resulting from cash basis transactions) increased 13 percent.

NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

(Continued)

	<u>Governmental Activities</u>		<u>% Change</u>
	<u>2002</u>	<u>2001</u>	
Unrestricted	\$ 452,369	\$ 401,097	13%
Total Net Assets	<u>\$ 452,369</u>	<u>\$ 401,097</u>	<u>13%</u>

**Governmental Activities**

Receipts for the Board's governmental activities decreased 2 percent, while expenses increased 1 percent.

**ENTITIES CHANGES IN NET ASSETS**

	<u>Governmental Activities</u>		<u>% Change</u>
	<u>2002</u>	<u>2001</u>	
<b>RECEIPTS:</b>			
Program Receipts:			
Charges for Services	\$ 392,236	\$ 399,897	-2%
Investment Interest	17,139	18,430	-7%
Other	331	370	-11%
Total Receipts	<u>409,706</u>	<u>418,697</u>	<u>-2%</u>
<b>DISBURSEMENTS:</b>			
Regulation of Business and Professions			
Total Disbursements	<u>358,434</u>	<u>354,854</u>	<u>1%</u>
Increase in Net Assets	51,272	63,843	-20%
Beginning Net Assets July 1	<u>401,097</u>	<u>337,254</u>	<u>19%</u>
Ending Net Assets June 30	<u>\$ 452,369</u>	<u>\$ 401,097</u>	<u>13%</u>

**FINANCIAL ANALYSIS OF THE BOARD'S FUNDS**

As noted earlier, the Nebraska Board of Public Accountancy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. No significant changes from the prior year were noted.

NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

(Continued)

**CAPITAL ASSET AND DEBT ADMINISTRATION**

As noted earlier, the financial statements are presented on the cash basis of accounting and therefore do not include capital assets or long-term debt activity.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

No conditions were noted that would be expected to have a significant effect on the financial position or results of operations of the Nebraska Board of Public Accountancy.

NEBRASKA BOARD OF PUBLIC ACCOUNTANCY  
STATEMENT OF NET ASSETS ARISING FROM  
CASH TRANSACTIONS

June 30, 2002

	<u>GOVERNMENTAL ACTIVITIES</u>
<b>Assets</b>	
Cash in State Treasury	\$ 450,333
Deposit with Vendors	<u>2,036</u>
Total Assets	<u><u>\$ 452,369</u></u>
<b>Net Assets</b>	
Unrestricted	<u>\$ 452,369</u>
Total Net Assets	<u><u>\$ 452,369</u></u>

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

NEBRASKA BOARD OF PUBLIC ACCOUNTANCY  
**STATEMENT OF ACTIVITIES - CASH BASIS**  
For the Fiscal Year Ending June 30, 2002

	Governmental Activities
Disbursements:	
Function - Regulation of Business and Professions	
Personal Services	\$ 180,045
Operating	152,804
Travel	23,343
Capital Asset Purchases	2,242
Total Disbursements	358,434
Program Receipts:	
Function - Regulation of Business and Professions	
Charges for Services	392,236
Miscellaneous Adjustments	331
Net Program Receipts	34,133
General Receipts:	
Unrestricted Investment Interest	17,139
Change in Net Assets	51,272
Net Assets July 1, 2001	401,097
Net Assets June 30, 2002	\$ 452,369

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

NEBRASKA BOARD OF PUBLIC ACCOUNTANCY  
**STATEMENT OF ASSETS AND FUND BALANCE ARISING  
 FROM CASH TRANSACTIONS  
 GOVERNMENTAL FUND**  
 June 30, 2002

	Public Accountants Cash Fund 2631
<b>Assets</b>	
Cash in State Treasury	\$ 452,369
Total Assets	\$ 452,369
<b>Fund Balance</b>	
Reserved for:	
Postage	\$ 2,036
Unreserved	450,333
Total Fund Balance	\$ 452,369

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



NEBRASKA BOARD OF PUBLIC ACCOUNTANCY  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
 CHANGES IN FUND BALANCE  
 GOVERNMENTAL FUND**

For the Fiscal Year Ended June 30, 2002

	Public Accountants <u>Cash Fund 2631</u>
RECEIPTS:	
Sales & Charges	\$ 392,236
Miscellaneous:	
Investment Interest	17,139
Other Miscellaneous	331
<b>TOTAL RECEIPTS</b>	<u>409,706</u>
 DISBURSEMENTS BY FUNCTION:	
Regulation of Business and Professions	<u>358,434</u>
<b>TOTAL DISBURSEMENTS</b>	<u>358,434</u>
 Excess of Receipts Over Disbursements	 <u>51,272</u>
 Net Change in Fund Balance	 51,272
 FUND BALANCE, JULY 1, 2001	 <u>401,097</u>
 FUND BALANCE, JUNE 30, 2002	 <u>\$ 452,369</u>

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

NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2002

1. **Summary of Significant Accounting Policies**

The accounting policies of the Nebraska Board of Public Accountancy are on the basis of accounting as described in the Nebraska Accounting System Manual.

**A. Reporting Entity**

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

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

**B. Basis of Presentation**

**Agency-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 Board, 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 Board. 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 Board 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

NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 Board reported the following general receipts: Unrestricted Investment Interest of \$17,139.

**Fund Financial Statements.** The fund financial statements provide information about the Board's funds. GAAP requires separate statements by fund category - governmental, proprietary, and fiduciary. The Board 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 Board reports the following major governmental fund:

**Public Accountants Cash Fund 2631.** This is the Board's primary operating fund. It is used to record all revenues from Certified Public Accountants exams, permits, and inactive registrations.

**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 Board are maintained and the Agency-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 Board. This differs from governmental generally accepted accounting principles (GAAP), which require the Agency-wide fund 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

NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

modified accrual basis of accounting. Under this measurement focus and basis of accounting, revenues are recognized 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 Board 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 Board 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

NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

the 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.

**E. Fund Balance Reservations**

Reservations of fund balances are established to identify the existence of assets that have been legally segregated for specific purposes. Reservations of fund balances are also established for assets which are not current in nature, such as postage.

2. **Contingencies and Commitments**

**Risk Management.** The Board 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 Board, 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.
- 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.

NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. **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 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 Board of Public Accountancy's financial statements.

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

3. **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 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 Board matches the employee's contribution at a rate of 156%.

NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. **State Employees Retirement Plan (Plan) (Concluded)**

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 twelve-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 \$3,874 and the Board contributed \$6,043.

4. **GASB 34**

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments. The State of Nebraska implemented the Statement for the fiscal year ending June 30, 2002.

The Board implemented GASB 34 by presenting its financial statements in a format as required by GASB 34. However, as explained in Note 1.C. the Board's financial statements are presented on the cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles. Previous period financial statements of the Board were also prepared on the cash basis of accounting; therefore, these financial statements, even though in a different format, are comparable to previous period financial statements of the Board.

NEBRASKA BOARD OF PUBLIC ACCOUNTANCY  
**SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE OF DISBURSEMENTS BY PROGRAM**  
**BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2002

Public Accountants Cash Fund 2631			
BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
ORIGINAL	FINAL	ACTUAL AMOUNTS	
PROGRAM:			
63 - Board of Public Accountancy			
TOTAL DISBURSEMENTS	\$ 447,005	\$ 447,005	\$ 358,434
			\$ 88,571

See Notes to Supplementary Information



# NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

## NOTES TO SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2002

### BUDGETARY COMPARISON SCHEDULE

#### GAAP Requirements

Generally Accepted Accounting Principles (GAAP) requires budgetary comparison schedules for the general fund, and for each major special revenue fund that has a legally adopted annual budget. For each program, the Legislature appropriated the Board's legally adopted annual budget amount. The Board's budgetary comparison schedule includes the Public Accountants Cash Fund 2631.

GAAP also requires the budgetary comparison schedule to include the *original budget* and *final budget* amounts. The *original budget* is the first complete appropriated budget adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes *before* the beginning of the fiscal year. The original budget would also include actual appropriation amounts automatically carried over from prior years when required by law. The *final budget* is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year as signed into law or otherwise legally authorized.

#### 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 Board 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 presents the appropriations bill to the Governor for signature. The Governor may: a) approve the appropriations 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 approved appropriations 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. As a result, the budgetary comparison schedule only reports total disbursements *by program*.

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.

NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

**NOTES TO SUPPLEMENTARY INFORMATION**

(Continued)

All State budgetary disbursements for the Board's Public Accountants Cash Fund 2631 are made pursuant to the appropriations, which may be amended by the Legislature, upon approval by the Governor. State agencies may reallocate the appropriations between major objects 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 appropriations must also be approved by the Legislature as a deficit appropriations bill.

Receipts are not budgeted. Therefore, there are no budgeted amounts shown on the Budgetary Comparison Schedule.

NEBRASKA BOARD OF PUBLIC ACCOUNTANCY  
**CERTIFIED PUBLIC ACCOUNTANT EXAMINATION STATISTICS**  
 CALENDAR YEARS 1998, 1999, 2000, 2001 2002  
 UNAUDITED

	<b>1998</b>	<b>1999</b>	May <b>2000</b>	<b>2001</b>	May <b>2002</b>
Passed all Parts	20	30	10	30	5
Passed on Condition Status	89	100	31	68	25
Total Passed	<u>109</u>	<u>130</u>	<u>41</u>	<u>98</u>	<u>30</u>
Conditioned	91	76	43	32	24
Improved Condition	44	24	19	24	7
Failed	424	380	161	154	78

**Individuals Sitting For Each Section**

	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	May <b>2002</b>
Auditing	546	467	442	198	104
LPR-Business Law and Professional Responsibilities	543	474	448	211	102
FARE-Financial Accounting and Reporting	578	554	515	259	122
ARE-Accounting and Reporting	566	497	468	213	120

**Individuals Passing Each Section**

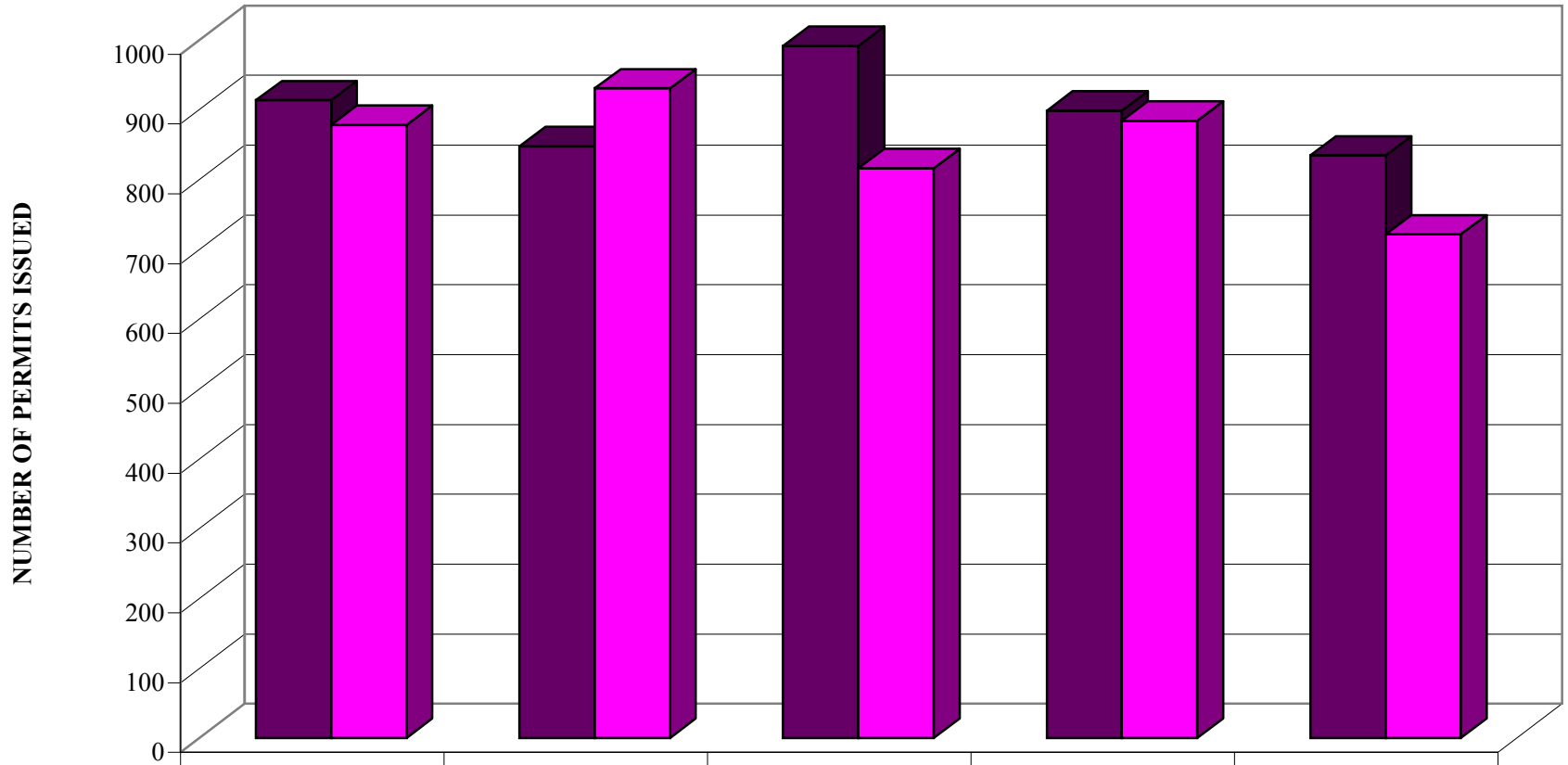
	<b>1998</b>	<b>1999</b>	May <b>2000</b>	<b>2001</b>
Auditing	150	137	53	80
LPR-Business Law and Professional Responsibilities	159	119	60	88
FARE-Financial Accounting and Reporting	103	111	55	88
ARE-Accounting and Reporting	142	122	68	69

**Percentage Passing Each Section**

	<b>1998</b>	<b>1999</b>	May <b>2000</b>	<b>2001</b>
Auditing	27%	29%	26%	40%
LPR-Business Law and Professional Responsibilities	29%	25%	29%	42%
FARE-Financial Accounting and Reporting	18%	20%	22%	34%
ARE-Accounting and Reporting	25%	25%	30%	32%

Note: Certified Public Accountant (CPA) exams are given twice each year in May and November. The exam is divided into four sections. It is possible to only pass a portion of the sections and receive conditioned status which means only the remaining sections will need to be retaken. All statistics include both exams given in the calendar year unless otherwise noted.

NEBRASKA BOARD OF PUBLIC ACCOUNTANCY  
**CERTIFIED PUBLIC ACCOUNTANT (CPA) PERMITS AND INACTIVE REGISTRATIONS**  
 FOR THE FISCAL YEARS ENDED JUNE 30, 1998 THROUGH 2002  
 UNAUDITED



	1998	1999	2000	2001	2002
■ CPA Permits	913	847	991	898	834
■ CPA Inactive Registrations	878	930	816	884	721

**Note:** CPA permits and inactive registrations are valid for two year periods effective on July 1. Renewals of CPA permits and inactive registrations are based on odd or even birth years with approximately half the renewals occurring each year.

# STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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P.O. Box 98917  
State Capitol, Suite 2303  
Lincoln, NE 68509  
402-471-2111, FAX 402-471-3301  
[www.auditors.state.ne.us](http://www.auditors.state.ne.us)

**Kate Witek**  
State Auditor  
[kwitek@mail.state.ne.us](mailto:kwitek@mail.state.ne.us)

## NEBRASKA BOARD OF PUBLIC ACCOUNTANCY REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

**Deann Haeffner, CPA**  
Deputy State Auditor  
[haeffner@mail.state.ne.us](mailto:haeffner@mail.state.ne.us)

**Don Dunlap, CPA**  
Asst. Deputy Auditor  
[ddunlap@mail.state.ne.us](mailto:ddunlap@mail.state.ne.us)

**Pat Reding, CPA**  
Asst. Deputy Auditor  
[reding@mail.state.ne.us](mailto:reding@mail.state.ne.us)

**Tim Channer, CPA**  
Asst. Deputy Auditor  
[channer@mail.state.ne.us](mailto:channer@mail.state.ne.us)

**Mary Avery**  
SAE/Finance Manager  
[MaryJAvery@aol.com](mailto:MaryJAvery@aol.com)

**Dennis Meyer**  
Budget Coordinator  
[dmeyer@mail.state.ne.us](mailto:dmeyer@mail.state.ne.us)

**Mark Avery, CPA**  
Subdivision Audit  
Review Coordinator  
[mavery@mail.state.ne.us](mailto:mavery@mail.state.ne.us)

**Robert Hotz, JD**  
Legal Counsel  
[robhotz@mail.state.ne.us](mailto:robhotz@mail.state.ne.us)

We have audited the financial statements of the Nebraska Board of Public Accountancy as of and for the year ended June 30, 2002, and have issued our report thereon dated January 17, 2003. 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 Board of Public Accountancy. 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 Board of Public Accountancy'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 Board of Public Accountancy'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 Board of Public Accountancy'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 1 (Internal Controls - Receipts) and Comment Number 2 (Receipts).

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 that none of the reportable conditions described above are material weaknesses. We also noted another matter involving internal control over financial reporting that we have reported to management of the Nebraska Board of Public Accountancy in the Comments Section of the report as Comment Number 3 (Documentation of Procedures and Responsibilities).

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

Handwritten signature of Timothy J. Chamber CPA in black ink.

Assistant Deputy Auditor

January 17, 2003