ATTESTATION REPORT
OF THE
NEBRASKA BRAND COMMITTEE

JULY 1, 2002 THROUGH JUNE 30, 2003

NEBRASKA BRAND COMMITTEE

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BACKGROUND

The Nebraska Brand Committee (Committee) was created by the 1941 Legislature to protect livestock owners through brand recording, brand inspection, and theft investigation. The Committee is composed of the Secretary of State as chairman, and four other members appointed by the Governor to four-year terms. These members must be active cattlemen engaged in the cattle business in the brand area.

The primary duties of the Brand Committee are to:

- Maintain records of all brand transactions;
- Investigate thefts or missing livestock; and
- Inspect cattle moved outside the brand area or that change ownership.

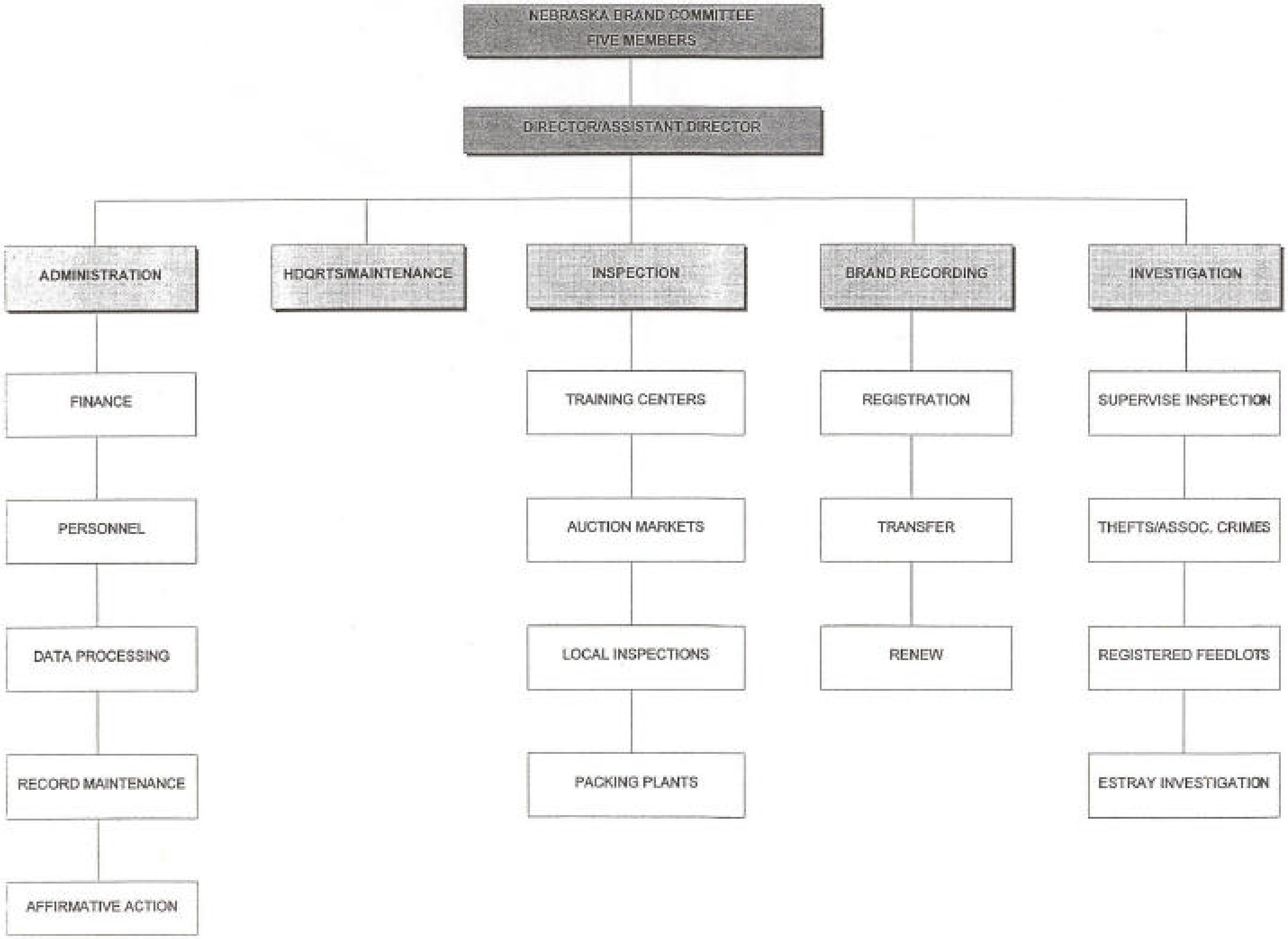
The Committee is self-supporting, operating on the proceeds collected from the inspection of cattle and recording of brands. The Committee employs an Executive Director who managed 57 full-time and 55 intermittent employees as of June 30, 2003.

MISSION STATEMENT

The Nebraska Brand Committee provides individual herd identification through brand recording; ownership protection through brand inspection at markets, packing plants, during private treaty sales, and when leaving the State and/or brand inspection area; investigations of cases which involve fraud in marketing cattle; and theft of livestock. This State Committee has an Administrative Division that oversees the entire operation which includes Brand Recording, Brand Inspection and Livestock Theft Investigation, all under the control of the four (4) Brand Committee members and the Secretary of State, who serves as Chairperson of the Committee. Major goals are placed on increased training of personnel at all levels and cooperation in the research of new forms of livestock identification.

NEBRASKA BRAND COMMITTEE

ORGANIZATIONAL CHART



EXIT CONFERENCE

An exit conference was held September 30, 2003 with the Committee to discuss the results of our examination. In attendance for the Nebraska Brand Committee was:

NAME	TITLE
Beverly Preble	Assistant Executive Director

SUMMARY OF COMMENTS

During our examination of the Nebraska Brand Committee, we noted certain matters involving the internal control over financial reporting and other operational matters which are presented here.

1. ***Nebraska Information System:*** Significant areas of concern or areas where improvement to the Nebraska Information System (NIS) is needed to ensure NIS integrity and operational efficiency were identified.

2. ***Expense Reimbursements:*** Meal logs and/or receipts were not required to substantiate meal expenses and reimbursement requests were not submitted in a timely manner.

3. ***Segregation of Duties Over Capital Assets:*** One individual was capable of handling all phases of capital asset recording from beginning to end without any documented, independent review of such recordings.

4. ***Documentation of Labor Rendered:*** The Committee did not retain documentation to provide evidence that all Committee full-time employees rendered not less than forty hours of labor each week.

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 Committee to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. All formal responses received have been incorporated into this report. Where no response has been included, the Committee declined to respond. Responses have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were not verified at this time but will be verified in the next examination.

We appreciate the cooperation and courtesy extended to our staff during the course of the examination.

COMMENTS AND RECOMMENDATIONS

1. Nebraska Information System

Good internal control requires a plan of organization, procedures, and records, designed to safeguard assets and provide reliable financial records. Without adequate training, written procedures, and controls, there is a risk that employees may unintentionally corrupt critical data, and that errors could occur and go undetected.

During the fiscal year ended June 30, 2003, the State of Nebraska implemented significant components of a new information system called the "Nebraska Information System" (NIS). Two major components were the Payroll component, which went live on January 3, 2003, and the Financial component, which went live on March 1, 2003. All Nebraska Accounting System (NAS) financial data from July 1, 2002 through February 28, 2003 (excluding payroll from January through February as NIS payroll went live January 3, 2003) was converted to NIS as of March 1, 2003. NIS affects all Nebraska State agencies.

A consultant hired by the Auditor of Public Accounts (APA) with expertise in studying large computer systems performed a study of NIS processes and controls prior to June 30, 2003. The APA also performed a preliminary examination of internal controls as of June 30, 2003 at all State agencies in July and August of 2003. In addition, while performing examination procedures the APA has identified other concerns related to NIS.

From these studies and examinations, the APA has identified concerns and areas where improvement to NIS is needed. The following are the more significant concerns or areas where improvement is needed to ensure NIS integrity and operational efficiency:

a. The reconciliation between the State Treasurer's actual bank statements and records, the NAS/NIS accounting records, and the related disposition of reconciling items was not completed for November 2002 through December 12, 2003. This procedure would have provided control over cash and accurate financial information. The reconciliation should have been done on a monthly basis and has not been done since the implementation of NIS to ensure all financial information is correct in NIS.
b. As of December 12, 2003, the Annual Budgetary Report and the Comprehensive Annual Financial Report have not been completed for the fiscal year ended June 30, 2003. These reports are to be prepared and presented by the Department of Administrative Services Accounting Division.
c. A comprehensive written NIS policy and procedures manual has not been prepared. The current Nebraska Accounting System and Nebraska Employees Information System (NEIS) policies and procedures manuals only relate to NAS and NEIS and have not been updated to adjust to changes in NIS.

COMMENTS AND RECOMMENDATIONS
(Continued)

1. Nebraska Information System (Concluded)

d. Labor distribution - The NIS payroll application is not allocating salaries and benefits appropriately to salaried employees who incur hours that are distributed across multiple business units. This applies to most agencies' funds, programs, and grants.
e. A detailed analysis has not been performed to determine whether users received adequate training to enable them to appropriately perform their job functions. Training provided for the implementation of NIS was limited to navigational training and did not include explanatory informational training.
f. A records retention policy has not been implemented to ensure an adequate audit trail is maintained for NIS information. The records retention schedules only state, "Obsolete with implementation of NIS."
g. The payroll component is not designed to promote an effective segregation of duties.
h. Critical function access rights - Access to sensitive General Accounting functions has been provided to individuals who may not require such access as a part of their job responsibilities.
i. Information security procedures - The State has not documented or formalized comprehensive information security procedures for NIS.
j. Business continuity planning - The State has not implemented a formal, comprehensive business continuity or disaster recovery plan that comprehends both NIS and its supporting infrastructure.

The issues identified above are the responsibility of the Department of Administrative Services Accounting Division and NIS Functional Team as they relate directly to NIS; however, they directly affect all Nebraska State agencies' financial information and must be disclosed in this report. The results of the consultant's study of NIS were communicated in a separate report to the Department of Administrative Services, who is responsible for NIS. Letters to each State agency communicated the results of the APA's preliminary examination of internal controls at the State agency level. Additional concerns identified by the APA were communicated to the appropriate State officials.

2. Expense Reimbursements

The State of Nebraska requires an adequate accounting to the employer for meal expenses within a reasonable period of time in order to be considered an accountable plan in accordance with the Internal Revenue Service (IRS) Publication 463. Adequate accounting consists of a statement of expenses, an account book, a diary, or a similar record in which each expense is entered at or near the time it occurs, along with documentary evidence, such as receipts, of the travel. In addition, Neb. Rev. Stat. Section 81-1174 R.R.S. 1999, states those requesting reimbursement "shall be required to present a request for payment or reimbursement each month to the Director of Administrative Services."

COMMENTS AND RECOMMENDATIONS
(Continued)

2. Expense Reimbursements (Concluded)

During the audit, the following was noted:

- The Committee did not require its employees to maintain a record detailing meal expenses requested for reimbursement. As such, meal logs and/or receipts were not required to substantiate meal expenses and, while the Committee's employee handbook stated that reimbursement would be given only for actual costs and would not exceed $30 per day, no documentation of actual costs was provided as supporting documentation.

- Three of nine expense reimbursement requests included expenses for time periods in excess of two months.

There is an increased risk the State's accountable plan status could be revoked without adequate documentation in accordance with the accountable plan. This would result in all expense reimbursements being considered taxable income to employees. Due to the Committee not requiring actual cost documentation to be retained and/or remitted, the Committee was not in compliance with the State's accountable plan for employee expense reimbursements.

Additionally, the greater time elapsed between employee's having incurred reimbursable expenses and their requesting reimbursement for those expenses, there is an increased risk that invalid expenses may be approved for reimbursement. Furthermore, when employee expense reimbursements are submitted for time periods in excess of one month, the Committee is not in compliance with State Statute.

> We recommend the Committee develop a written meal reimbursement policy consistent with IRS requirements. Such a policy should include adequate monitoring procedures to ensure compliance with the policy. We further recommend the Committee, as part of its overall employee expense reimbursement policy, require the timely submission of expense reimbursements to comply with statute.

Committee's Response: We have implemented the use of an Employee Meal Log and/or receipts to substantiate meal expenses requested for reimbursement.

The expense reimbursement requests and date of receipt from the employees will be reviewed to ensure remittances are being made in a timely manner and corrective action taken as needed.

3. Segregation of Duties Over Capital Assets

Good internal control requires a proper segregation of duties to provide reliable records and to safeguard assets.

COMMENTS AND RECOMMENDATIONS
(Continued)

3. Segregation of Duties Over Capital Assets (Concluded)

One employee maintained the capital asset list, added assets to the list, prepared surplus property forms, and completed the physical inventory. There was no independent review of the Unposted Fixed Asset Transaction Report, the Additions and Retirement Report, or Fixed Assets Integrity Reports to ensure all additions and deletions were proper. Without an adequate segregation of duties there is an increased risk of loss or theft of State assets.

> We recommend the Committee implement procedures to provide an adequate segregation of duties over capital assets.

Committee's Response: We will implement procedures that will segregate the duties over capital assets by having an independent employee review the NIS Unposted Fixed Asset Transaction Report, the Additions and Retirement Report and Fixed Assets Integrity Reports to ensure additions and deletions are proper. The annual state inventory listing will be reviewed and compared to the prior year.

4. Documentation of Labor Rendered

Neb. Rev. Stat. Section 84-1001(1) R.R.S. 1999 states, "All state officers and heads of departments and their deputies, assistants, and employees, except permanent part-time employees, temporary employees, and members of any board or commission not required to render full-time service, shall render not less than forty hours of labor each week except any week in which a paid holiday may occur." In addition, sound business practices, as well as good internal control, would require hours actually worked be adequately documented, for example, via time sheets, time logs, etc., and such documentation kept on file to provide evidence of compliance with the requirements of Section 84-1001. Furthermore, good internal control also requires that whenever employees accrue vacation and sick leave adequate documentation should be maintained to support the employees' having "earned" the amounts recorded in the leave records by documenting not less than forty hours of work each week. Also, 29 C.F.R. (Code of Federal Regulations) Section 553.221, regarding compensable hours of work, states, "time spent at home on call may or may not be compensable depending on whether the restrictions placed on the employee preclude using the time for personal pursuits." Lastly, 29 C.F.R. Section 785.17, regarding on-call time, states, "an employee who is required to remain on call on the employer's premises or so close thereto that he cannot use the time effectively for his own purposes is working while "on call."

During our audit, the following was noted:

- Timesheets and/or similar supporting documentation were not completed by the Executive Director, Assistant Executive Director, and the Committee's three Area Supervisors in order to support their having rendered not less than forty hours of labor each week as required by Statute. All of these individuals accrued vacation and sick leave on a full-time basis.

COMMENTS AND RECOMMENDATIONS
(Continued)

4. Documentation of Labor Rendered (Concluded)

- The labor rendered by the Committee's full-time inspectors was, to some extent, seasonal based on the nature of cattle movements. During those months when cattle movements were slow, full-time inspectors often rendered, and documented via timesheets, far fewer than 40 hours of actual labor each week. However, because these inspectors were full-time employees of the Committee, they were paid based on their full-time employment status rather than on any actual number of hours worked. The full-time inspectors earned compensatory time at a rate of one and one-half time during weeks when they worked more than 40 hours however, that compensatory time, while used in part to offset non-working hours during slower weeks of the year, was generally insufficient to offset weeks of the year when fewer than 40 hours were actually worked. The Committee's Director stated the variances between the number of actual hours worked and the full-time salary hours paid were made up by "on-call" hours, time during which inspectors were required to remain in their assigned areas, however, the restriction was not such that they were prevented from using such time for personal activities.

As of June 30, 2003 the Committee employed 47 full-time inspectors.

> We recommend the Committee obtain and retain adequate supporting documentation, such as timesheets, to provide evidence that employees are rendering not less than forty hours of labor each week, except any week in which a paid holiday may occur. In doing so, particularly as it relates to the Committee's full-time Inspectors, the Committee should also reassess its full-time inspector staffing practices based upon the seasonal nature of cattle inspections and the resulting lack of hours worked by inspectors during the slower months of the year when arriving at its resolution.

Committee's Response: We did not have the audit draft when the Nebraska Brand Committee met for their regular quarterly meeting on December 2, 2003. Steven Stanec reviewed the auditor's concerns of compliance with Nebraska Statute 84-1001 regarding the forty hour work week requirement for state employees. Due to the fact that the majority of the brand inspectors work from their homes, and per the auditor's opinion that on-call time is not considered actual hours worked, the Committee has requested that staff obtain an attorney general's opinion. We are asking to reserve the right to respond to this matter of concern once we have obtained an opinion from the attorney general.

STATE OF NEBRASKA
AUDITOR OF PUBLIC ACCOUNTS

P.O. Box 98917
State Capitol, Suite 2303
Lincoln, NE 68509
402-471-2111, FAX 402-471-3301
www.auditors.state.ne.us

Kate Witek
State Auditor
kwitek@mail.state.ne.us

Deann Haeffner, CPA
Deputy State Auditor
haeffner@mail.state.ne.us

Don Dunlap, CPA
Asst. Deputy Auditor
ddunlap@mail.state.ne.us

Pat Reding, CPA
Asst. Deputy Auditor
reding@mail.state.ne.us

Tim Channer, CPA
Asst. Deputy Auditor
channer@mail.state.ne.us

Mary Avery
SAE/Finance Manager
marya@mail.state.ne.us

Dennis Meyer, CGFM
Subdivision Budget
Coordinator
dmeyer@mail.state.ne.us

Mark Avery, CPA
Subdivision Audit
Review Coordinator
mavery@mail.state.ne.us

Robert Hotz, JD
Legal Counsel
robhotz@mail.state.ne.us

NEBRASKA BRAND COMMITTEE

Independent Accountant's Report

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Brand Committee (Committee) for the fiscal year ended June 30, 2003. The Committee's management is responsible for the schedule of revenues, expenditures, and changes in fund balances. Our responsibility is to express an opinion based on our examination.

Except as discussed in the following paragraph, our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to financial-related audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and accordingly, included examining, on a test basis, evidence supporting the schedule of revenues, expenditures, and changes in fund balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

The State of Nebraska implemented two components of a new statewide information system (Nebraska Information System (NIS)) during the fiscal year ended June 30, 2003. The two components were the Human Resources and Payroll component and the Financial component. A significant internal control procedure, a reconciliation of the State Treasurer's cash balances to the cash balances reported on NIS, has not been completed by the State for the fiscal year ended June 30, 2003. Without this reconciliation we were unable to satisfy ourselves as to the accuracy and completeness of the Committee's fund balances of $694,389 as of June 30, 2003. Although we extended our audit procedures, it was impracticable to extend our procedures sufficiently to determine the extent to which the fund balances as of June 30, 2003 may have been affected by this procedure not being completed.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had a reconciliation between the State Treasurer's cash balances to the cash balances on NIS had been completed, the schedule referred to above presents, in all material respects, the revenues, expenditures, and changes in fund balances of the Nebraska Brand Committee for the fiscal year ended June 30, 2003, based on the accounting system and procedures prescribed by the State of Nebraska Director of Administrative Services as described in Note 1.

In accordance with *Government Auditing Standards,* we have also issued our report dated September 30, 2003, on our consideration of the Nebraska Brand Committee'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 a financial-related audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our examination.

Don Dunlap CPA

September 30, 2003 Assistant Deputy Auditor

NEBRASKA BRAND COMMITTEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Fiscal Year Ended June 30, 2003

	Brand Inspection and Theft Program Cash Fund 23910	Estray Trust and Agency Fund	**Total (Memorandum Only)**
REVENUES:			
Sales and Charges:			
Inspections	$ 2,770,673	$ -	$ 2,770,673
Brand Recordings	334,139	-	334,139
Sale of Estray Cattle	-	70,728	70,728
Other Sales and Charges	15,263	-	15,263
Miscellaneous:			
Beef Council Contract	19,002	-	19,002
Investment Interest	39,760	150	39,910
TOTAL REVENUES	3,178,837	70,878	3,249,715
EXPENDITURES:			
Personal Services	2,936,027	-	2,936,027
Operating	171,783	15,744	187,527
Travel	385,646	-	385,646
Capital Outlay	40,159	-	40,159
Permanent School Fund Payments	-	1,047	1,047
Resolved Estray Payments	-	33,644	33,644
TOTAL EXPENDITURES	3,533,615	50,435	3,584,050
Excess (Deficiency) of Revenues Over (Under) Expenditures	(354,778)	20,443	(334,335)
OTHER FINANCING SOURCES (USES):			
Sales of Assets	4,621	-	4,621
Distributive Activity:			
Ins	166	-	166
Outs	(20)	-	(20)
Operating Transfers Out	(687)	-	(687)
TOTAL OTHER FINANCING SOURCES (USES)	4,080	-	4,080
Net Change in Fund Balances	(350,698)	20,443	(330,255)
FUND BALANCES, JULY 1, 2002	1,004,641	20,003	1,024,644
FUND BALANCES, JUNE 30, 2003	$ 653,943	$ 40,446	$ 694,389

The accompanying notes are an integral part of the schedule.

NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2003

1. Criteria

The accounting policies of the Nebraska Brand Committee are on the basis of accounting as prescribed by the State of Nebraska Department of Administrative Services (DAS).

Per Neb. Rev. Stat. Section 81-1107 R.R.S. 1999, the State of Nebraska Director of Administrative Services duties include "The keeping of general accounts and the adoption and promulgation of appropriate rules, regulations, and administrative orders designed to assure a uniform and effective system of accounts and accounting, the approval of all vouchers, and the preparation and issuance of warrants for all purposes."

The Nebraska Information System (NIS) is the official accounting system prescribed by DAS for the State of Nebraska. Policies and procedures are detailed in NIS manuals and Nebraska Accounting System Concepts published by DAS and available to the public. The financial information used to prepare the schedule of revenues, expenditures, and changes in fund balances for the Committee was obtained directly from the NIS. NIS records accounts receivable and accounts payable as transactions occur. As such certain revenues are recorded when earned and expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows. The accounts payable liability recorded on NIS, and thus recorded as expenditures, as of June 30, 2003 includes only those payables posted to NIS before June 30, 2003 and not yet paid as of that date. The amount recorded as expenditures as of June 30, 2003 **does not** include amounts for goods and services received before June 30, 2003, which had not been posted to NIS as of June 30, 2003.

Prior to the implementation of NIS, the State utilized the Nebraska Employees Information System (NEIS) and the Nebraska Accounting System (NAS) to record transactions. NEIS was converted to NIS effective January 1, 2003, and NAS was converted to NIS effective March 1, 2003.

The Committee had no accounts receivable at June 30, 2003. The Committee had accounts payable for services received but not yet paid of $0 included in expenditures. The NIS system does not include liabilities for accrued payroll and compensated absences.

The fund types established by NIS that are used by the Committee are:

Cash Fund - account for revenues generated by specific activities from sources outside of State government and the expenditures directly related to the generation of the revenues. Cash funds are established by State statutes and must be used in accordance with those statutes.

Estray Fund - Trust and Agency Fund - The Estray Fund is a custodial fund for the receipts and disbursements of estray livestock proceeds.

NOTES TO THE SCHEDULE
(Continued)

1. Criteria (Concluded)

The major revenue object account codes established by NIS used by the Committee are:

Sales & Charges - Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees. Inspection fees are collected for the performance of brand inspections, Brand Recording fees are collected for recording brands, and Sale of Estray Cattle fees are collected when estray livestock are sold.

Miscellaneous - Revenue from sources not covered by other major categories, such as investment income. Beef Council Contract fees are collected as a result of an agreement with the Nebraska Beef Council. The Committee receives a collection fee for collecting the Beef Council's assessments.

The major expenditure object account titles established by NIS used by the Committee are:

Personal Services - Salaries, wages, and related employee benefits provided for all persons employed by the Committee.

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

Travel - All travel expenses for any state officer, employee, or member of any commission, council, committee, or board of the State.

Capital Outlay - Expenditures which result in the acquisition of or an addition to capital assets. Capital assets are resources of a long-term character, owned or held by the government.

2. State Agency

The Nebraska Brand Committee (Committee) is a State agency established under and governed by the laws of the State of Nebraska. As such, the Committee is exempt from State and Federal income taxes. The schedule includes all funds of the Committee.

The Nebraska Brand Committee is part of the primary government for the State of Nebraska.

3. Beginning Balance

As noted above, the official accounting system of the State was converted during the fiscal year from NEIS and NAS to NIS. NEIS and NAS were strictly cash basis accounting. Under the cash basis of accounting, revenues are recognized when received and expenditures are recognized when paid for all funds of the Committee. Therefore, the beginning fund balances do not include accounts receivables or accounts payable.

NOTES TO THE SCHEDULE
(Continued)

4. 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.

5. Capital Assets

Under NIS, capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as expenditures in governmental funds. Capital assets, which would include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) would be reported for the State of Nebraska in the Comprehensive Annual Financial Report (CAFR). Depreciation expenses would be reported in the CAFR for the State of Nebraska. The cost of normal maintenance and repairs that does not add to the value of the asset or extend asset life is not capitalized.

Capital asset activity of the Committee for the fiscal year ended June 30, 2003 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets:				
Land	$ 5,001	$ -	$ -	$ 5,001
Buildings	85,531	-	-	85,531
Equipment	160,251	39,966	-	200,217
Total	$ 250,783	$ 39,966	$ -	$ 290,749

6. Distributive Activity

Distributive Activity transactions are those recorded directly to a fund's liability accounts rather than through a revenue or expenditure account. These transactions represent funds received by the Committee, which are owed to some individual, organization, or other government agency, or are deposits that will be returned on completion of some specified requirement.

The Committee's Distributive Activity for the audit period consists of sales tax collections and payments to the Nebraska Department of Revenue.

STATE OF NEBRASKA
AUDITOR OF PUBLIC ACCOUNTS

P.O. Box 98917
State Capitol, Suite 2303
Lincoln, NE 68509
402-471-2111, FAX 402-471-3301
www.auditors.state.ne.us

NEBRASKA BRAND COMMITTEE

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN EXAMINATION OF THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Brand Committee for the fiscal year ended June 30, 2003, and have issued our report thereon dated September 30, 2003. The report was qualified for the effects of such adjustments, if any, as might have been necessary if the reconciliation of the State Treasurer's cash balances to the Nebraska Information System (NIS) cash balances had been completed. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to financial-related 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 Brand Committee's schedule of revenues, expenditures, and changes in fund balances, is 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 schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our examination, 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 the management of the Nebraska Brand Committee in the Comments Section of this report as Comment Number 2 (Expense Reimbursements) and Comment Number 4 (Documentation of Labor Rendered).

Internal Control Over Financial Reporting

In planning and performing our examination, we considered the Nebraska Brand Committee's internal control over financial reporting in order to determine our procedures for the purpose of expressing our opinion on the schedule of revenues, expenditures, and changes in fund balances, and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 Brand Committee's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedule. A reportable condition is described in the Comments Section of the report as Comment Number 1 (Nebraska Information System).

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 schedule being examined 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, the reportable condition described above is considered to be a material weakness. We also noted another matter involving internal control over financial reporting that we have reported to management of the Nebraska Brand Committee in the Comments Section of the report as Comment Number 3 (Segregation of Duties Over Capital Assets).

Don Dunlap CPA

September 30, 2003 Assistant Deputy Auditor

STATISTICAL SECTION

Our examination was conducted for the purpose of forming an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances. Statistical Section information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination of the Schedule of Revenues, Expenditures, and Changes in Fund Balances and, accordingly, we express no opinion on it.

NEBRASKA BRAND COMMITTEE

SCHEDULE OF STATISTICAL DATA

Description	(Unaudited) FY 99	(Unaudited) FY 00	(Unaudited) FY 01	(Unaudited) FY 02	(Unaudited) FY 03
Committee Expenditures:					
Administration (4)	$ 269,760	$ 296,957	$ 282,947	$ 241,841	$ 246,425
Headquarters Maintenance	$ 20,517	$ -	$ -	$ -	$ -
Inspections	$ 2,426,521	$ 2,549,029	$ 2,684,911	$ 2,775,341	$ 2,953,112
Recordings	$ 115,988	$ 87,973	$ 83,089	$ 87,545	$ 101,650
Investigations	$ 262,243	$ 252,157	$ 215,850	$ 218,389	$ 232,422
Total	$ 3,095,029	$ 3,186,116	$ 3,266,797	$ 3,323,116	$ 3,533,609
Inspections:					
Total Cattle Inspected	3,857,633	4,134,070	4,266,269	4,052,307	4,171,455
Inspection Fee Per Head	$ 0.55	$0.55 / $0.60	$ 0.55	$ 0.55	$0.55 / $0.60
No. of Cattle Held for Proof of Ownership	24,836	25,117	23,587	27,336	21,978
Recovered Strays	2,546	2,090	1,799	2,036	1,763
New Estray Cases	24	34	45	35	39
No. of Cattle Reported Missing	858	915	1,004	829	527
Value of Total Cattle Inspected (5)	$ 1,990,538,628	$ 2,488,710,140	$ 2,768,808,581	$ 2,398,965,744	$ 2,682,245,565
Value of Cattle Recovered (6)	$ 1,314,909	$ 1,259,011	$ 1,168,183	$ 1,205,667	$ 1,141,681
Total Costs Per Inspection (1)	$ 0.63	$ 0.62	$ 0.63	$ 0.68	$ 0.71
Recordings:					
New Brands	1,004	1,124	1,173	1,766	795
Brand Transfers	828	833	787	779	742
Renewed Brands	7,504	8,817	7,654	8,622	8,047
Total Brands on Record	34,343	34,333	34,189	34,075	33,963
Total Costs Per Brand on Record (2)	$ 3.38	$ 2.56	$ 2.43	$ 2.57	$ 2.99
Theft and Associated Investigations:					
Livestock Investigations	44	40	39	25	54
Estray Investigations	63	74	114	96	63
Truck Checks	47	47	13	12	5
Total Investigations and Truck Checks	154	161	166	133	122
Court Cases	18	12	22	24	22
Warnings for Violations	115	116	173	137	112
Total Costs Per Investigation/Truck Check (3)	$ 1,702.88	$ 1,566.19	$ 1,300.30	$ 1,642.02	$ 1,905.10

(1) Total Costs Per Inspection was calculated as Total Inspections expenditures divided by Total Cattle Inspected.

(2) Total Costs Per Brand on Record was calculated as Total Recordings expenditures divided by Total Brands on Record.

(3) Total Costs Per Investigation/Truck Check was calculated as Total Investigations expenditures divided by Total Investigations and Truck Checks.

(4) Administration expenditures were not included in the cost calculations made in (1), (2), and (3). If Administration expenditures had been allocated to Inspections, Recordings, and Investigations the cost calculations made in (1), (2), and (3) would be slightly higher.

(5) Value of Total Cattle Inspected was calculated as Total Cattle Inspected multiplied by average market price per head as determined by the Committee. The average market price per head was $516 for FY 99; $602 for FY00; $649 for FY01; $592 for FY02; $643 for FY03.

(6) Value of Cattle Recovered is the total estimated market value of strays recovered as reported by Brand Inspectors on a monthly basis.