

**ATTESTATION REPORT
OF THE
NEBRASKA COMMISSION ON
LAW ENFORCEMENT AND CRIMINAL JUSTICE
JULY 1, 2002 THROUGH JUNE 30, 2003**

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NEBRASKA COMMISSION ON
LAW ENFORCEMENT AND CRIMINAL JUSTICE

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NEBRASKA COMMISSION ON
LAW ENFORCEMENT AND CRIMINAL JUSTICE

BACKGROUND

The Nebraska Commission on Law Enforcement and Criminal Justice (Commission) was created in 1967 by an executive order of the Governor, and was established as a State government agency by the Nebraska Legislature in 1969.

The Commission consists of 19 members. The Governor, the Attorney General, the Superintendent of Law Enforcement and Public Safety, the Director of the Department of Correctional Services, and the Chairperson of the Nebraska Police Standards Advisory Council are statutory members. The remaining members are appointed by the Governor to six-year terms, including two chiefs-of-police or directors of public safety, a district court judge, a county sheriff, a county attorney, a county commissioner, a mayor or city manager, a person involved in juvenile delinquency prevention or control and six members of the public (one must be a woman). The Commission meets four times a year. The members serve without compensation, but are reimbursed for their expenses.

The Commission administers Federal and State aid programs in the areas of anti-drug abuse, violent crime, victim assistance, juvenile justice, and law enforcement. Aid programs administered include Anti-Drug Abuse and Violent Crime, Juvenile Justice and Delinquency Prevention, Violence Against Women Act, Crime Victims Assistance, Juvenile Services, Crime Victim's Reparations, Crimes Against Children, Aid to Law Enforcement, and Crime Stoppers.

The Commission administers the Law Enforcement Training Center in Grand Island. The Center provides training courses, which are required of all law enforcement officers from all cities, towns, and counties in Nebraska. The only exceptions are the Nebraska State Patrol and the cities of Lincoln and Omaha, which conduct approved officer training courses of their own. In addition, some State agency personnel, such as Game and Parks Commission officers, are trained at the Center. Courses include mandatory training, continuing education, and specialized training in law enforcement, drug enforcement, domestic violence, child abuse, and highway safety.

The Juvenile Justice Division administers State and Federal grant monies awarded to juvenile justice projects throughout Nebraska. The Division also develops juvenile justice initiatives and programs, oversees Nebraska's compliance with the Federal Juvenile Justice and Delinquency Act, provides technical assistance and education to criminal and juvenile justice practitioners, and provides planning assistance to communities providing juvenile services.

The Commission administers the Uniform Crime and Juvenile Crime Reporting Systems, which include statistical information maintained in several statewide databases. The Commission enforces the privacy and security of criminal records databases. The Commission enforces the privacy and security of criminal records statutes and conducts studies to make improvements in the administration of the State, county, and local criminal justice systems. The Commission also performs various studies, collects information related to persons processed through Nebraska's juvenile court system, and monitors the establishment of county-wide child abuse and neglect programs.

NEBRASKA COMMISSION ON
LAW ENFORCEMENT AND CRIMINAL JUSTICE

BACKGROUND

(Concluded)

The Commission administers the Federal and State Crime Victim Assistance Programs and the Nebraska Crime Victim's Reparations Program. These programs provide medical, emotional, financial, and legal assistance as well as shelter, support, and advocacy to crime victims.

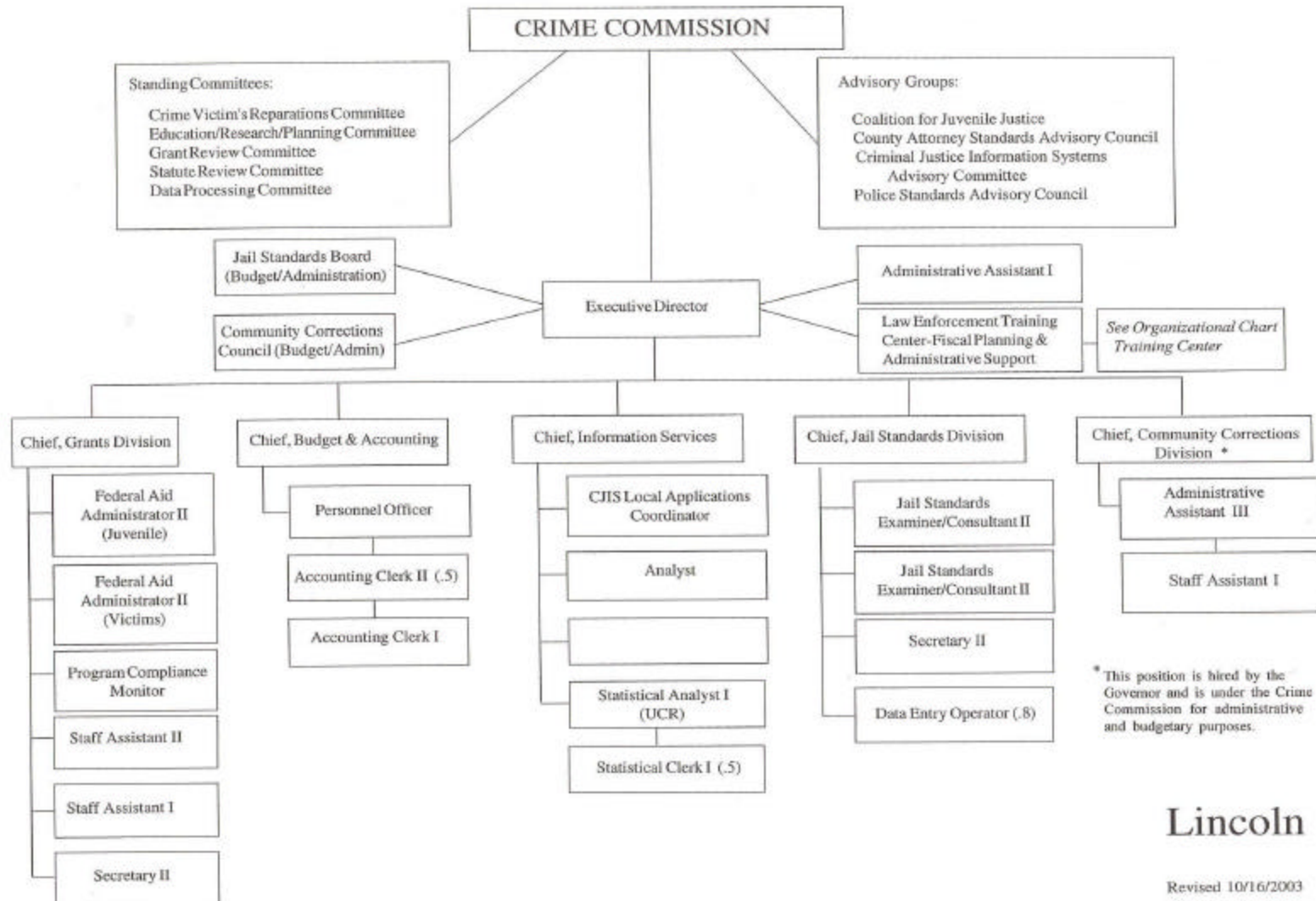
The Jail Standards Board establishes standards for all Nebraska jails, and the Jail Standards Division monitors compliance with these standards by annual inspections of jails, temporary holding facilities, and juvenile detention facilities. The Jail Standards Division also provides technical assistance to these facilities in planning, training, policy and procedure development, record management, operations, and resource development. The Jail Standards Division also maintains a statewide database pertaining to the type and number of inmates held in local jails.

MISSION STATEMENT

The Commission's mission is to provide comprehensive planning and coordination of activities which lead to the improvement of criminal and juvenile justice administration among State and local agencies. Through the direction and guidance of a 19 member board comprised of a representative group of criminal justice professionals and representatives from the public at large, the Commission serves in a leadership role by providing expertise, technical assistance, training, financial aid, enforcement of mandatory standards, research, evaluations, statistical services, and informational resources to criminal and juvenile justice programs statewide.

NEBRASKA COMMISSION ON
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ORGANIZATIONAL CHARTS



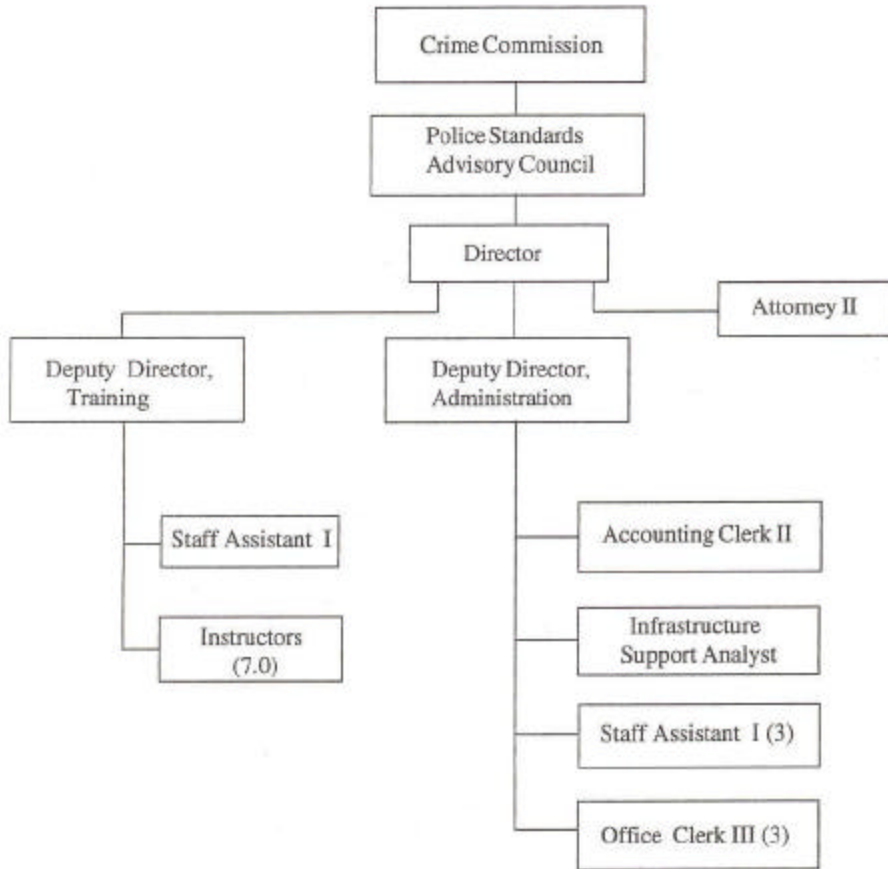
Lincoln

Revised 10/16/2003

NEBRASKA COMMISSION ON
LAW ENFORCEMENT AND CRIMINAL JUSTICE

ORGANIZATIONAL CHARTS

NEBRASKA LAW ENFORCEMENT TRAINING CENTER



Grand Island

Revised 9/10/03

NEBRASKA COMMISSION ON
LAW ENFORCEMENT AND CRIMINAL JUSTICE

EXIT CONFERENCE

An exit conference was held December 17, 2003 with the Commission to discuss the results of our examination. Those in attendance for the Nebraska Commission on Law Enforcement and Criminal Justice were:

<u>NAME</u>	<u>TITLE</u>
Mary Thomason	Personnel Officer
Bruce Ayers	Budget Officer

NEBRASKA COMMISSION ON
LAW ENFORCEMENT AND CRIMINAL JUSTICE

SUMMARY OF COMMENTS

During our examination of the Nebraska Commission on Law Enforcement and Criminal Justice, we noted certain matters involving the internal control over financial reporting and other operational matters which are presented here.

1. ***Nebraska Information System:*** Significant concerns or areas where improvement to the Nebraska Information System (NIS) is needed to ensure NIS integrity and operational efficiency were identified.
2. ***Lack of Segregation of Duties Over Payroll:*** The Nebraska Information System (NIS) was not set up to establish a proper segregation of duties through the restriction of employee capabilities. Any individual who had all payroll and human resources capabilities could make changes to the system without approval within the system. The Commission did not have effective controls to compensate for this weakness.
3. ***Allocation of Payroll:*** We noted \$309,884 of payroll costs charged to various Federal grants was not in accordance with OMB Circular A-87 requirements.
4. ***Lack of Segregation of Duties Over Fixed Assets:*** One employee was responsible for maintaining the equipment records, adding items to the records, initiating disposal of assets, preparing the Surplus Property Notification Forms, and completing the physical inventory. In addition, there was no independent review of the Unposted Fixed Asset Transaction Report or the Additions and Retirement Report.
5. ***Travel Expenses:*** Travel reimbursements tested were not in accordance with State Statute, IRS regulations, and Commission policy.

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 Commission 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. 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.

NEBRASKA COMMISSION ON
LAW ENFORCEMENT AND CRIMINAL JUSTICE

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.
- 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.

NEBRASKA COMMISSION ON
LAW ENFORCEMENT AND CRIMINAL JUSTICE

COMMENTS AND RECOMMENDATIONS

(Continued)

1. Nebraska Information System (Concluded)

- 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.

Commission's Response: We agree with your recommendations. The conversion to the new NIS system is very difficult and is particularly burdensome to smaller agencies such as ours where specialization, as well as segregation, of duties is difficult. In at least the short run, the conversion added considerable workload to our staff and indirectly contributed to your findings in items 2, 4 and 5, because there was less time to discover and address these concerns.

2. Lack of Segregation of Duties Over Payroll

Good internal control requires an adequate segregation of duties so no one individual is in a position to both perpetrate and conceal errors or irregularities.

NEBRASKA COMMISSION ON
LAW ENFORCEMENT AND CRIMINAL JUSTICE

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Lack of Segregation of Duties Over Payroll (Concluded)

We noted NIS was not set up to establish a proper segregation of duties through the restriction of employee capabilities. Any individual who had all payroll and human resources capabilities could make changes to the system without approval within the system. The Commission did not have effective controls to compensate for this weakness when NIS was implemented beginning January 3, 2003. We noted there was no review of salary amounts by an individual outside the payroll process to ensure unauthorized changes were not made. Without effective controls over the payroll process, the risk for fictitious employees, unauthorized salary changes or overrides, and inaccurate leave reporting increases.

We recommend the Commission implement procedures to obtain an adequate segregation of duties. These procedures should include a review by a person separate from the payroll process to:

1. Compare the final payroll register to the general ledger to ensure the correct payroll was posted,
2. Compare the final payroll to the pre-payroll to ensure all employees were paid correctly,
3. Review the leave status of employees with payroll authorizations to ensure their leave is correctly reflected on NIS, and
4. Review salary changes for all employees to ensure only authorized changes are made to NIS.

Commission's Response: Under the old payroll system we had a procedure in place to address this concern. We will develop a procedure under the new system. We appreciate the identification of this problem.

3. Allocation of Payroll

The United States Office of Management and Budget Circular No. A87, Attachment B, Section 11(h)(4), requires where employees work on multiple activities or cost objectives, a distribution of their salaries or wages be supported by personnel activity reports or equivalent documentation unless a substitute system has been approved by a Federal agency.

We noted \$309,884 of payroll costs charged to various grants was not based on personnel activity reports and the substitute system the Commission used had not been approved, in writing, by a Federal agency. The Commission indicated personnel from the Federal Department of Justice approved the system verbally; however, no written approval had been obtained. The Commission has been

NEBRASKA COMMISSION ON
LAW ENFORCEMENT AND CRIMINAL JUSTICE

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Allocation of Payroll (Concluded)

in the process of obtaining this written approval for the past seven years. Without written documentation of the approval to use a substitute system, questions relating to the appropriateness of the substitute system may arise resulting in questioned costs and Federal sanctions. A similar comment was noted in the prior two audits.

We recommend the Commission distribute salaries supported by activity reports or obtain written approval from the Federal cognizant agency for the system in use.

Commission's Response: We agree this is a matter of long standing and an area of disagreement. We appreciate and understand the recommendations of your office. All audits were provided to the Office of Management and Budget and this matter has been raised at the time of all Federal grant monitors. They are well aware of the issue and have consistently given verbal approval to the sampling method we use to allocate costs to administer grant funds. We consistently use less available administrative funds than allowed. Our file contains several efforts to secure written approval and we will continue to ask for their written approval. It is our belief there is no benefit and considerably more administrative effort to meet this recommendation versus the sampling method we are using and are therefore reluctant to implement this recommendation.

4. Lack of Segregation of Duties Over Fixed Assets

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

One employee was responsible for maintaining the equipment fixed asset records, adding items to the records, initiating disposal of assets, preparing the Surplus Property Notification Forms, deleting items from inventory, and completing the physical inventory. In addition, there was no independent review of the Unposted Fixed Asset Transaction Report or the Additions and Retirement Report. A similar comment was noted in the prior audit report.

Without an adequate segregation of duties over the fixed asset process there is an increased risk of loss or theft of State assets.

We recommend the Commission implement procedures to segregate duties, which include an independent review of the Unposted Fixed Asset Transaction Report and the Additions and Retirement Report.

NEBRASKA COMMISSION ON
LAW ENFORCEMENT AND CRIMINAL JUSTICE

COMMENTS AND RECOMMENDATIONS

(Continued)

4. Lack of Segregation of Duties Over Fixed Assets (Concluded)

Commission's Response: It is often difficult in small agencies to have qualified and trained employees that allow segregation of duties. However, we agree that we should do an independent review and will implement a process to accomplish that review.

5. Travel Expenses

Neb. Rev. Stat. Section 81-1174 R.R.S. 1999 requires expense reimbursements to be submitted on a monthly basis. It also states, "When reimbursement is requested for mileage by automobile . . . the points between which such travel occurred, the times of arrival and departure . . . shall be shown on such request." In addition, the Commission's travel policy requires the time of departure from and time of return to headquarters for each trip.

NAS Manual CONC-005 regarding travel policies states meal expenses must be substantiated under the State's Accountable Plan. The Internal Revenue Service's (IRS) Publication 463 regarding reimbursement for travel expenses states that a restaurant receipt should include, "The name and location of the restaurant." Therefore, supporting documentation for meals should include the name of the restaurant and the city.

Good internal controls require procedures to ensure disbursements are reasonable, necessary, and in accordance with State guidelines. Good internal controls also require policies and procedures to ensure lodging reimbursements are reasonable based on location. The Federal lodging per diem rate should be used as a guideline when choosing lodging accommodations.

Commission travel policy states, "The Commission employee shall complete the Travel Request Form and obtain the signature of the Executive Director prior to departure."

During our review of three of the Commission's travel expense reimbursement documents, we noted the following:

- Two documents tested included expenses for more than one month. One of which covered five months.
- One document tested did not include departure and arrival times for each trip.
- The Commission only required their employees to identify their meals on their expense reimbursement documents as breakfast, lunch, or dinner. Therefore, the name of the restaurant was not provided. In two instances it was unclear what city the restaurant was in.

NEBRASKA COMMISSION ON
LAW ENFORCEMENT AND CRIMINAL JUSTICE

COMMENTS AND RECOMMENDATIONS

(Continued)

5. Travel Expenses (Concluded)

- On two instances, meals were reimbursed when it appeared they were provided by the conference. On one document, breakfast was reimbursed for \$9 when a continental breakfast was provided at the conference. On another document, dinner was reimbursed for \$22 when a banquet was held at the conference.
- Two documents tested included motel billings which exceeded the Federal per diem rate for the particular city.
- One document tested included Out-of-State Travel Request forms that were not approved.

Without adequate controls and procedures over travel reimbursements, there is an increased risk of loss or misuse of State or Federal funds.

We recommend the Commission review controls and procedures to ensure travel expenses are reasonable, necessary, and in accordance with State statutes, IRS guidelines, and Commission policy.

Commission's Response: We are confident there is no loss or misuses of State or Federal funds in this regard, but agree our procedures must be followed and monitored. The same employees that review and monitor this process are the same folks dealing with the conversion of the NIS system and they clearly had less time to monitor and review travel vouchers because of the time and difficulty in this conversion.

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NEBRASKA COMMISSION ON LAW ENFORCEMENT AND CRIMINAL JUSTICE

Independent Accountant's Report

Deann Haeffner, CPA
Deputy State Auditor
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We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Commission on Law Enforcement and Criminal Justice (Commission) for the fiscal year ended June 30, 2003. The Commission'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.

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Asst. Deputy Auditor
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Asst. Deputy Auditor
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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.

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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 Nebraska Commission on Law Enforcement and Criminal Justice's fund balances 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.

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Review Coordinator
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Robert Hotz, JD
Legal Counsel
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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 been completed, the schedule referred to above presents, in all material respects, the revenues, expenditures, and changes in fund balances of the Nebraska Commission on Law Enforcement and Criminal Justice 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 December 17, 2003, on our consideration of the Nebraska Commission on Law Enforcement and Criminal Justice'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.

Pat Reding, CPA

Assistant Deputy Auditor

December 17, 2003

NEBRASKA COMMISSION ON
LAW ENFORCEMENT AND CRIMINAL JUSTICE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2003

	General Fund 10000	Info. Tech. Infrastructure Fund 26650	Victims Compensation Fund 27800	Law Enforcement Improvement Fund (LEIF) 27810	Trng Center Tuition/Fees Fund 27820
REVENUES:					
Appropriations	\$ 2,724,913	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	10,555
Sales & Charges	326	-	-	6,140	94,513
Miscellaneous	2,390	-	39,642	600,562	52,581
TOTAL REVENUES	<u>2,727,629</u>	<u>-</u>	<u>39,642</u>	<u>606,702</u>	<u>157,649</u>
EXPENDITURES:					
Personal Services	762,246	-	-	365,911	290,780
Operating	1,052,707	14,641	-	189,117	(72)
Travel	29,524	-	-	6,862	-
Capital Outlay	3,539	-	-	3,066	-
Government Aid	876,897	-	50,396	-	-
TOTAL EXPENDITURES	<u>2,724,913</u>	<u>14,641</u>	<u>50,396</u>	<u>564,956</u>	<u>290,708</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,716</u>	<u>(14,641)</u>	<u>(10,754)</u>	<u>41,746</u>	<u>(133,059)</u>
OTHER FINANCING SOURCES (USES):					
Sales of Assets	308	-	-	4,212	-
Deposits to General Fund	(3,024)	-	-	-	-
Deposits from Common Fund	-	14,641	-	-	-
Operating Transfers Out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,716)</u>	<u>14,641</u>	<u>-</u>	<u>4,212</u>	<u>-</u>
Net Change in Fund Balances	-	-	(10,754)	45,958	(133,059)
FUND BALANCES, JULY 1, 2002	<u>1,974</u>	<u>-</u>	<u>33,973</u>	<u>138,308</u>	<u>359,374</u>
FUND BALANCES, JUNE 30, 2003	<u>\$ 1,974</u>	<u>\$ -</u>	<u>\$ 23,219</u>	<u>\$ 184,266</u>	<u>\$ 226,315</u>

The accompanying notes are an integral part of the schedule.

Crimes Against Children Fund 27830	Training Center Food Service Fund 27840	Comm Corr Uniform Data Analysis Fund 27850	State Building Fund 33000	Crime Comm Federal Fund 47810	Juvenile Account Fund 47820	Total (Memorandum Only)
\$ -	\$ -	\$ -	\$ 1,101,463	\$ -	\$ -	\$ 3,826,376
-	-	-	-	9,486,152	1,831,400	11,328,107
-	31,201	-	-	2,565	-	134,745
-	-	1,355	-	12,685	123,219	832,434
-	31,201	1,355	1,101,463	9,501,402	1,954,619	16,121,662
-	-	-	-	370,422	17,411	1,806,770
-	32,998	-	173,512	856,214	94,196	2,413,313
-	-	-	-	40,308	11,413	88,107
-	-	-	927,951	63,419	-	997,975
10	-	-	-	8,273,082	2,098,885	11,299,270
10	32,998	-	1,101,463	9,603,445	2,221,905	16,605,435
(10)	(1,797)	1,355	-	(102,043)	(267,286)	(483,773)
-	-	-	-	-	-	4,520
-	-	-	-	-	-	(3,024)
-	-	-	-	-	-	14,641
-	(28,203)	-	-	-	-	(28,203)
-	(28,203)	-	-	-	-	(12,066)
(10)	(30,000)	1,355	-	(102,043)	(267,286)	(495,839)
10	30,000	-	-	109,077	3,347,963	4,020,679
\$ -	\$ -	\$ 1,355	\$ -	\$ 7,034	\$ 3,080,677	\$ 3,524,840

NEBRASKA COMMISSION ON
LAW ENFORCEMENT AND CRIMINAL JUSTICE

NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2003

1. Criteria

The accounting policies of the Nebraska Commission on Law Enforcement and Criminal Justice 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 Commission 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 3, 2003, and NAS was converted to NIS effective March 1, 2003.

The Commission had accounts receivable included in revenues of \$13,086 due from other State agencies. The Commission had accounts payable for sales tax received but not yet remitted of \$232 included in fund balances. The NIS system does not include liabilities for accrued payroll and compensated absences.

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

10000 – General Fund – accounts for all financial resources not required to be accounted for in another fund.

NEBRASKA COMMISSION ON
LAW ENFORCEMENT AND CRIMINAL JUSTICE

NOTES TO THE SCHEDULE
(Continued)

1. **Criteria (Continued)**

20000 – Cash Funds – 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.

30000 – Construction Funds – account for the revenues and expenditures associated with the acquisition or construction of capital facilities.

40000 – Federal Funds – account for all federal grants and contracts received by the State. Expenditures must be made in accordance with applicable federal requirements.

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

Appropriations – Appropriations are granted by the Legislature to make expenditures and to incur obligations. The amount of appropriations reported as revenue is the amount of expenditures.

Intergovernmental – Revenue from other governments in the form of grants, entitlements, shared revenues, payments in lieu of taxes, or reimbursements.

Sales & Charges – Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees.

Miscellaneous – Revenue from sources not covered by other major categories, such as investment income.

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

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

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.

NEBRASKA COMMISSION ON
LAW ENFORCEMENT AND CRIMINAL JUSTICE

NOTES TO THE SCHEDULE
(Continued)

1. Criteria (Concluded)

Government Aid – Payment of Federal and/or State money to governmental subdivisions, State agencies, local health and welfare offices, individuals, etc., in furtherance of local activities and accomplishment of State programs.

Other significant object account codes established by NIS and used by the Commission include:

Assets – Resources owned or held by a government that have monetary value. Assets include cash accounts, deposits with vendors, and receivable accounts. Accounts receivable are recorded as an increase to revenues and an increase to fund balance on the schedule. Cash accounts and deposits with vendors are also included in fund balance.

Liabilities – Legal obligations arising out of transactions in the past that must be liquidated, renewed, or refunded at some future date. Accounts payable transactions increase expenditures and decrease fund balance.

Other Financing Sources – Operating transfers and proceeds of fixed asset dispositions.

2. State Agency

The Nebraska Commission on Law Enforcement and Criminal Justice (Commission) is a State agency established under and governed by the laws of the State of Nebraska. As such, the Commission is exempt from State and Federal income taxes. The schedule includes all funds of the Commission.

The Nebraska Commission on Law Enforcement and Criminal Justice 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 Commission. Therefore, the beginning fund balances do not include accounts receivable or accounts payable.

NEBRASKA COMMISSION ON
LAW ENFORCEMENT AND CRIMINAL JUSTICE

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 Commission for the fiscal year ended June 30, 2003 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Equipment	\$ 915,487	\$ 48,221	\$ 114,439	\$ 849,269

6. Deposits from Common Funds

Fund 26650 is a Department of Administrative Services fund. Program 215 – Criminal Justice Information System Advisory Committee, received appropriations from this fund for computer programming expenses per 2001 Neb. Laws LB 543, Section 237.

7. Collocation

Per 1998 Neb. Laws LB 1108, Section 76, the State Building Division of the Department of Administrative Services was authorized to proceed with the collocation of the Nebraska State Patrol Training Academy with the Nebraska Law Enforcement Training Center in Grand Island, and the renovation of the existing Nebraska Law Enforcement Training Center facilities in Grand Island. According to the Legislature, collocation of these training facilities will permit the independent and distinct operation of each agency's academy while achieving significant economies of scale. The Legislature mandated the total project cost to not exceed \$12,000,000. Activity for this project is recorded in Fund 33000. Cumulative project expenditures through June 30, 2003, totaled \$11,269,144.

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NEBRASKA COMMISSION ON LAW ENFORCEMENT
AND CRIMINAL JUSTICE
**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***

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We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Commission on Law Enforcement and Criminal Justice for the fiscal year ended June 30, 2003, and have issued our report thereon dated December 17, 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 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 Commission on Law Enforcement and Criminal Justice'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 management of the Nebraska Commission on Law Enforcement and Criminal Justice in the Comments Section of this report as Comment Number 3 (Allocation of Payroll) and Comment Number 5 (Travel Expenses).

Internal Control Over Financial Reporting

In planning and performing our examination, we considered the Nebraska Commission on Law Enforcement and Criminal Justice'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 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 Commission on Law Enforcement and Criminal Justice's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedule. Reportable conditions are described in the Comments Section of the report as Comment Number 1 (Nebraska Information System), Comment Number 2 (Lack of Segregation of Duties Over Payroll), and Comment Number 4 (Lack of Segregation of Duties Over Fixed Assets).

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, of the reportable conditions described above, we consider Comment Number 1 (Nebraska Information System) and Comment Number 2 (Lack of Segregation of Duties Over Payroll) to be material weaknesses. We also noted another matter involving internal control over financial reporting that we have reported to management of the Nebraska Commission on Law Enforcement and Criminal Justice in the Comments Section of the report as Comment Number 5 (Travel Expenses).

Pat Reding, CPA

Assistant Deputy Auditor

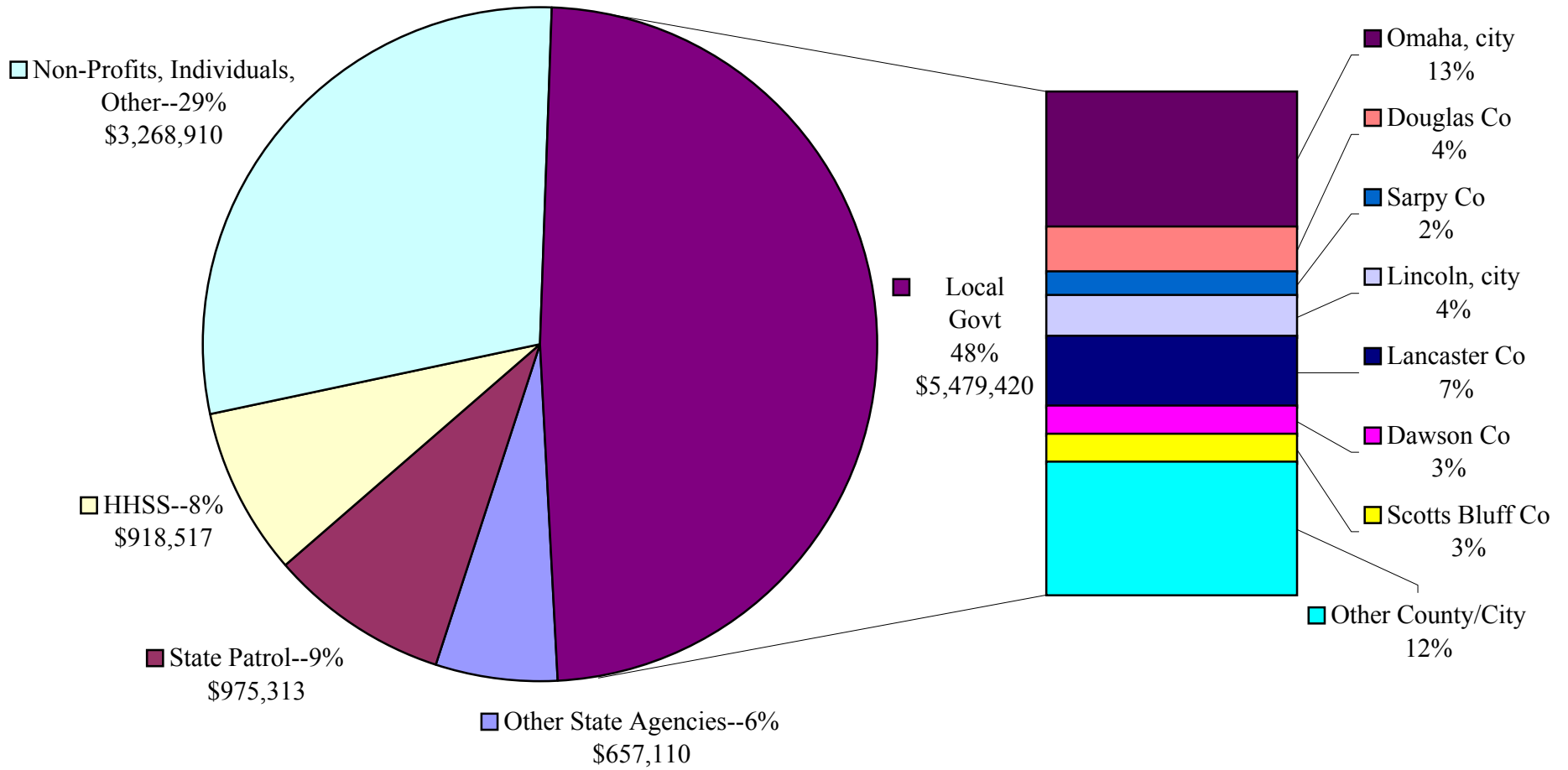
December 17, 2003

NEBRASKA COMMISSION ON
LAW ENFORCEMENT AND CRIMINAL JUSTICE

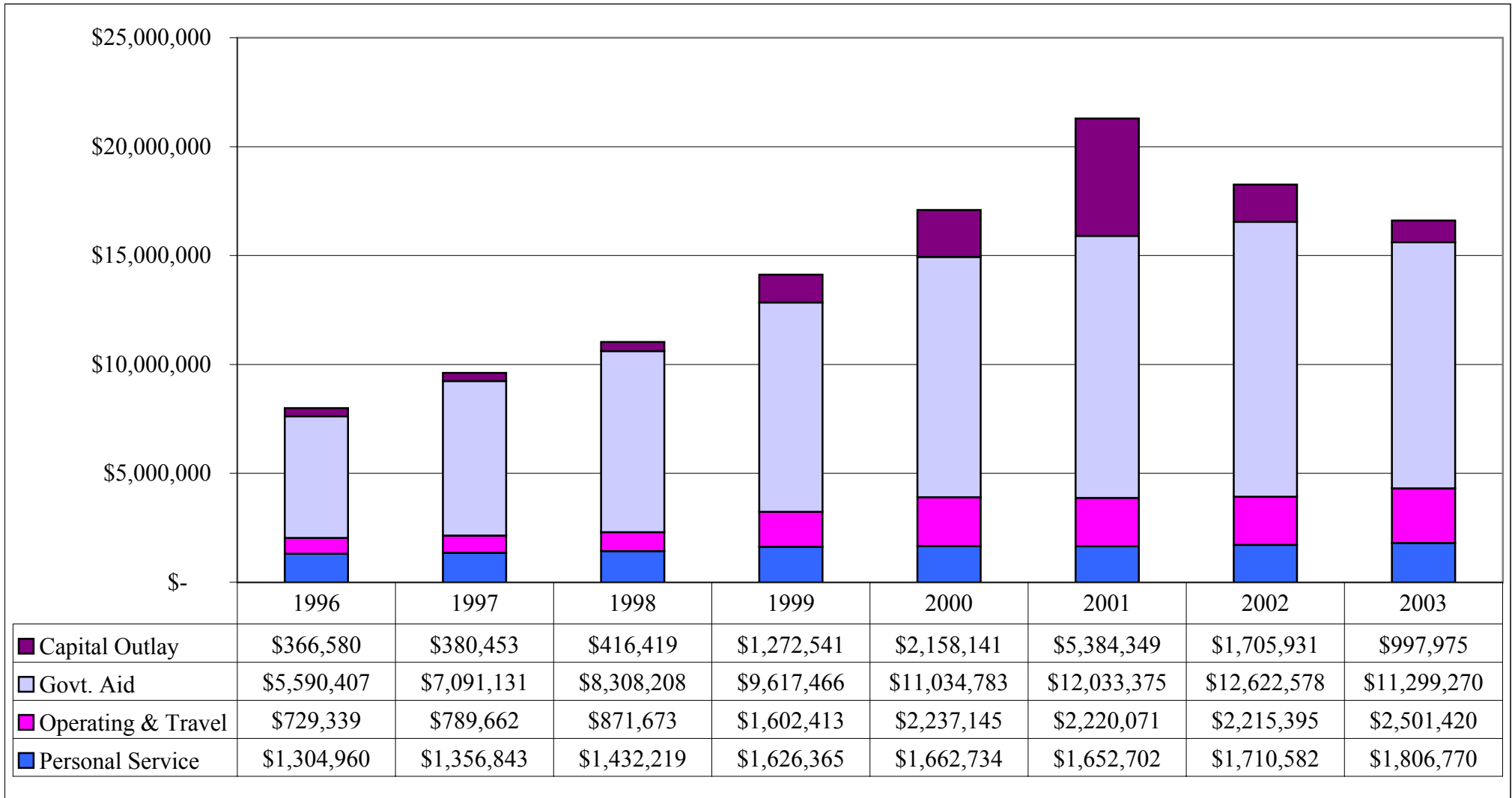
STATISTICAL SECTION

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.

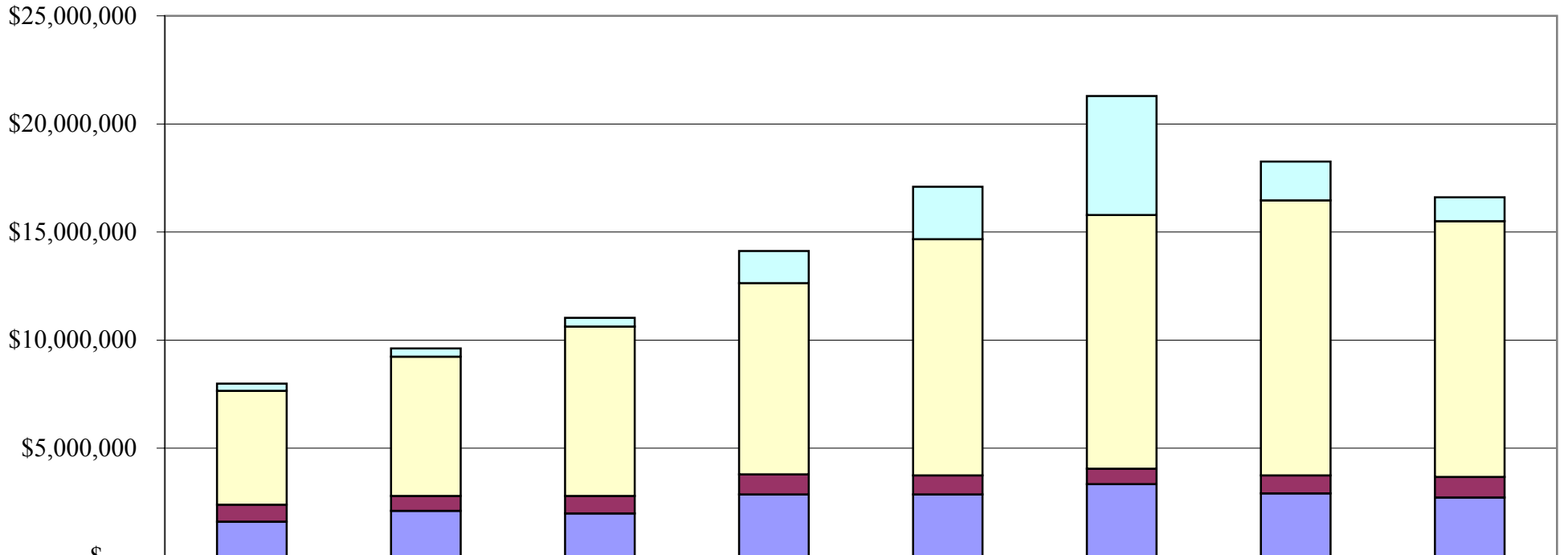
NEBRASKA COMMISSION ON
LAW ENFORCEMENT AND CRIMINAL JUSTICE
DISTRIBUTION OF AID PAYMENTS
For the Fiscal Year Ended June 30, 2003



NEBRASKA COMMISSION ON
LAW ENFORCEMENT AND CRIMINAL JUSTICE
DISBURSEMENTS BY MAJOR ACCOUNT CATEGORY
Fiscal Years Ended June 30, 1996 Through 2003

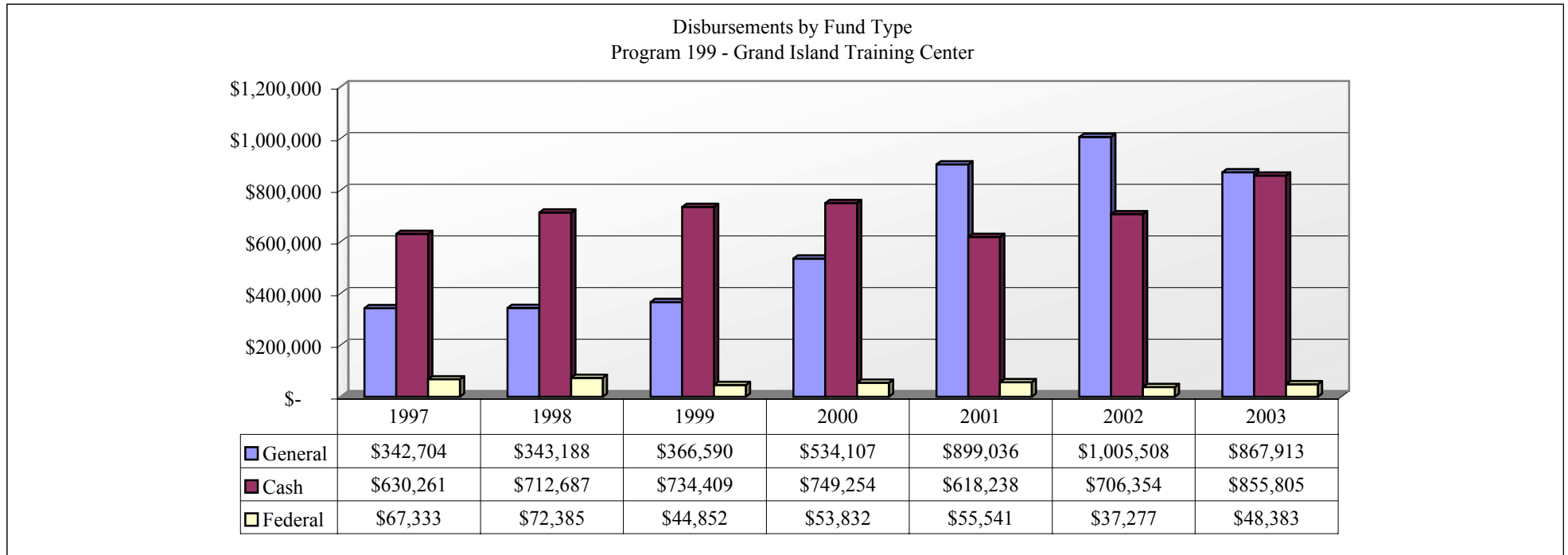


NEBRASKA COMMISSION ON
LAW ENFORCEMENT AND CRIMINAL JUSTICE
DISBURSEMENTS BY FUND TYPE
Fiscal Years Ended June 30, 1996 Through 2003



	1996	1997	1998	1999	2000	2001	2002	2003
Construction	\$335,677	\$384,269	\$401,239	\$1,481,195	\$2,422,971	\$5,506,316	\$1,789,026	\$1,101,463
Federal	\$5,261,787	\$6,438,216	\$7,833,473	\$8,843,941	\$10,925,408	\$11,726,842	\$12,716,917	\$11,825,350
Cash	\$784,209	\$692,937	\$804,222	\$925,242	\$883,167	\$717,909	\$832,518	\$953,709
General	\$1,609,613	\$2,102,667	\$1,989,585	\$2,868,407	\$2,861,257	\$3,339,430	\$2,916,025	\$2,724,913

NEBRASKA COMMISSION ON
LAW ENFORCEMENT AND CRIMINAL JUSTICE
GRAND ISLAND TRAINING CENTER DISBURSEMENTS
Fiscal Years Ended June 30, 1997 Through 2003



	1999	2000	2001	2002	2003
Total Program	\$ 1,145,851	\$ 1,337,193	\$ 1,572,815	\$ 1,749,139	\$ 1,772,101
% General Funded	32%	40%	57%	57%	49%
% LEIF Funded	47%	43%	37%	34%	33%
% Federal Funded	4%	4%	4%	2%	3%
% Tuition and Other	17%	13%	2%	7%	15%

Note 1: Per State Statute 81-1429, a Law Enforcement Improvement Fund fee of two dollars shall be taxed as costs in each criminal proceeding, including traffic infractions and

Note 2: Per State Statute 81-1413, tuition, fees, and other expenses incurred in the pre-certification and certification training of applicants shall be the responsibility of the person or his or her sponsoring agency, except that through June 30, 2005, such expenses may be financed by the training center through other appropriated funds as determined by the Nebraska Police Standards Advisory Council in order to transition to a tuition-based system.