



KPMG LLP
Suite 1501
Two Central Park Plaza
Omaha, NE 68102

Telephone 402 348 1450
Fax 402 348 0152
Internet www.us.kpmg.com

Suite 1600
233 South 13th Street
Lincoln, NE 68508-2041

Telephone 402 476 1216
Fax 402 476 1944

December 22, 2004

Mr. Richard Gettemy
Department of Revenue
P.O. Box 94818
Lincoln, Nebraska 68509-4818

Dear Mr. Gettemy:

We have audited the basic financial statements of the State of Nebraska (the State) for the year ended June 30, 2004, and have issued our report thereon dated December 22, 2004. In planning and performing our audit, we considered the State's internal controls in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We have not considered internal control since the date of our report.

In connection with our audit described above, we noted certain internal control matters related to the activities of the Department of Revenue (the Department) and other operational matters that are presented below for your consideration. These comments and recommendations, which have been discussed with the appropriate members of the Department management, are intended to improve internal control or result in other operating efficiencies.

Our consideration of internal control included a review of prior year comments and recommendations. To the extent the situations that prompted the recommendations in the prior year still exist, they have been incorporated in the comments presented for the current year. All other prior year comments and recommendations have been satisfactorily resolved.

Our comments and recommendations for the year ended June 30, 2004 are shown on the following page.



*State of Nebraska
Department of Revenue
Mr. Richard Gettemy
December 22, 2004*

Estate Taxes Receivable

Currently, the Department does not accrue a receivable for estate taxes expected to be received after June 30 related to periods prior to that date. We recommend the Department investigate and develop a method for estimating an estate tax receivable to be accrued at year-end.

* * * * *

Our audit procedures are designed primarily on a test basis and, therefore, may not bring to light all weaknesses in policies or procedures that may exist. Our objective is, however, to use our knowledge of the Department of Revenue and its interaction with other State agencies and administrative departments gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

This report is intended solely for the information and use of the Auditor of Public Accounts, the Governor and members of the Legislature, Department of Revenue, and management of the State of Nebraska, and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate and thank all of the Department of Revenue employees for the courtesy and cooperation extended to us during our audit.

Very truly yours,

KPMG LLP