

**ATTESTATION REPORT  
OF THE  
NEBRASKA STATE FIRE MARSHAL  
JULY 1, 2004 THROUGH JUNE 30, 2005**

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the Auditor of Public Accounts.**

**Modification of this document may change the accuracy of the original  
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**Issued on October 13, 2005**

NEBRASKA STATE FIRE MARSHAL

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## NEBRASKA STATE FIRE MARSHAL

### **BACKGROUND**

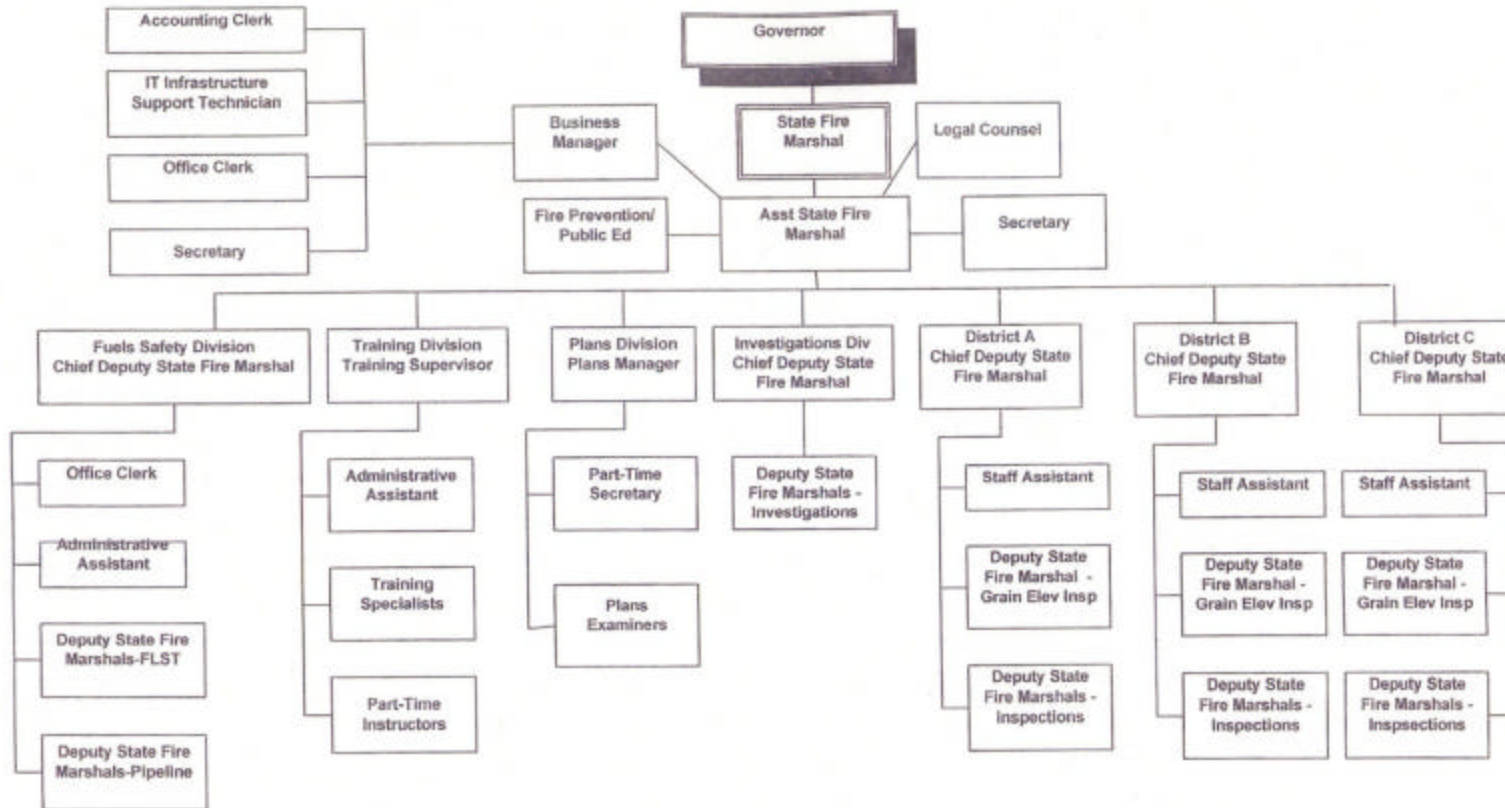
The Nebraska State Fire Marshal's office was created by a Legislative Act in 1909, which was known as the "Fire Commission Law." The State Fire Marshal is responsible for reviewing blueprints of all buildings constructed and remodeled in the State for compliance with fire safety and accessibility codes; conducting fire safety inspections of buildings, pipelines, and storage tanks; investigating fires and explosions; regulating fireworks; and providing training to the State's emergency responders. A nine-member Nebraska Fire Safety Appeals Board assists the Fire Marshal and hears appeals of Fire Marshal orders.

### **MISSION STATEMENT**

The State Fire Marshal Agency's mission is to provide measures for life and property protection from fire, environmental concerns, building accessibility, and homeland security through education, inspections, training, and response.

# NEBRASKA STATE FIRE MARSHAL

## ORGANIZATIONAL CHART



MAIN OFFICE: 246 S 14th Street  
Lincoln, NE 68508-1804  
(402) 471-2027  
FAX: (402) 471-3118

DISTRICT A: 246 South 14th Street  
Lincoln, NE 68508-1804  
(402) 471-2590  
FAX: (402) 471-3118

DISTRICT B: 438 West Market  
Albion, NE 68620-1241  
(402) 395-2164  
(402) 395-2165  
FAX: (402) 395-2400

DISTRICT C: Craft State Office Building  
200 South Silber  
North Platte, NE 69101-4200  
(308) 535-8181  
FAX: (308) 535-8175

TRAINING DIVISION: 2410 N Wheeler Ave, Suite 112  
Grand Island, NE 678801-2358  
(308) 385-8892  
FAX: (308) 385-8890

FUELS DIVISION: 246 South 14th Street  
Lincoln, NE 68508-1804  
(402) 471-9465  
FAX: (402) 471-1024

NEBRASKA STATE FIRE MARSHAL

**EXIT CONFERENCE**

An exit conference was held September 9, 2005, with the Agency to discuss the results of our examination. Those in attendance for the Nebraska State Fire Marshal were:

<b>NAME</b>	<b>TITLE</b>
Dennis Hohbein	State Fire Marshal
Bruce Neeman	Assistant Fire Marshal
Cathy Wann	Business Manager III
Deb Hostetler	Accounting Clerk II
Lori Loyd	IT Infrastructure Support Tech
Lynda Roesler	DAS-Accounting, System Auditor

## NEBRASKA STATE FIRE MARSHAL

### SUMMARY OF COMMENTS

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

1. ***Cost of Services:*** The State Fire Marshal did not have procedures in place to allocate the costs of administration or to determine on a regular basis the costs of providing services and did not perform a comparison of the costs incurred to the actual fees charged. The State Fire Marshal received \$1,117,208 in fees for services performed during fiscal year 2005.
2. ***Internal Controls Over Revenues:*** We noted a lack of segregation of duties in the revenues process. The State Fire Marshal did not have a written policy for writing off uncollectible accounts receivable. One of twenty-five deposits was not made in a timely manner.
3. ***Internal Controls Over Payroll:*** The State Fire Marshal did not have an adequate segregation of duties for preparing, reviewing, and approving payroll. In addition, the State Fire Marshal did not adjust excessive vacation leave balances in a timely manner.
4. ***Travel Expenses:*** For the 13 expense reimbursement documents tested, five claimed per diem amounts for meals rather than the actual expense amount. Four expense documents did not have a signature showing approval of the expense document; one expense reimbursement document was not submitted in a timely manner; and two expense documents did not include the city where the trip started.
5. ***Timesheets:*** The State Fire Marshal earns vacation and sick leave and did not complete timesheets to document forty hours of work each week.
6. ***Reconciliation of Bank Records to the Nebraska Information System:*** The Department of Administrative Services' reconciliation process is still not done in a timely manner and continues to reflect unknown variances.

More detailed information on the above items is provided hereafter. It should be noted this report is critical in nature as it contains only our comments and recommendations on the areas noted for improvement.

Draft copies of this report were furnished to the Agency 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

NEBRASKA STATE FIRE MARSHAL

**SUMMARY OF COMMENTS**

(Continued)

included, the Agency 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.

# NEBRASKA STATE FIRE MARSHAL

## COMMENTS AND RECOMMENDATIONS

### 1. Cost of Services

Neb. Rev. Stat. Section 81-505.01 R.R.S. 2003 states, “The State Fire Marshal shall establish and assess fees not to exceed the actual costs for the performance of services by the State Fire Marshal . . .”

Good business practice and internal control requires procedures to accumulate information on an annual basis to determine the costs of services provided and compare it to the actual fees charged to ensure all costs are covered. If all costs are covered, the agency should ensure they are not overcharging for the services performed. This would involve procedures to segregate expenditures related to specific activities and develop a method to allocate common expenditures such as personnel and accounting to all activities and compare to actual fees charged for those activities.

The State Fire Marshal does not have procedures to allocate the costs of administration or to determine on a regular basis the costs of providing services and did not perform a comparison of the costs incurred to the actual fees charged. The last complete review by the State Fire Marshal to compare fees charged to related costs was in 2002 at which time the fees were increased. This condition was noted in the fiscal year 1997, 1999, and 2001 audits.

We also noted the balances in the State Fire Marshal Cash Fund and the Underground Storage Tank Cash Fund were \$520,563 and \$506,125, respectively. These balances were over 1.2 and 2.8 times, respectively, the total annual expenditures for the year. A reasonable balance would be equal to 6 months of expenditures. The State Fire Marshal issued the following types of fees: Inspection Fees, Registration Fees, Meter Assessment Fees, Installation Fees, and Other Fees totaling \$1,117,208 for the fiscal year ended June 30, 2005.

Without an annual review of fees charged for services, there is an increased risk the State Fire Marshal is not in compliance with State Statute.

We recommend the State Fire Marshal continue efforts to determine costs of services on an annual basis and include an allocation of administrative costs. In addition, we recommend the State Fire Marshal implement procedures to ensure fees charged for services adequately cover the costs associated with those activities and ensure they are not overcharging for services rendered.

*Agency’s Response: We will develop documentation of our review of fees to ensure fees charged for services adequately cover the costs associated with those activities and to ensure there is no overcharge for services rendered.*



NEBRASKA STATE FIRE MARSHAL

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Internal Controls Over Revenues

Segregation of Duties

Good internal control requires procedures to ensure financial transactions are authorized, complete, and accurate. Good internal control also requires an adequate segregation of duties over the receipt of monies to ensure one individual is not in the position to both perpetrate and conceal errors or irregularities.

We noted a lack of adequate segregation of duties when the mail is received and opened and when firework applications are received and processed. The State Fire Marshal relied on one individual to both open the mail and enter the monies received into the cash register. In addition, the same individual both received money for firework applications and processed the applications. A second individual was not involved in this process and the State Fire Marshal did not have controls in place to ensure all of the money received for firework applications was actually received. This condition was noted in the fiscal year 2001 audit.

The possibility of a loss or misuse of State funds is increased when an adequate segregation of duties over revenues is not in place. In addition, when one person can handle a transaction from beginning to end there is a greater risk of errors or irregularities occurring.

We recommend the State Fire Marshal implement procedures to ensure an adequate segregation of duties over revenues. These procedures might include having a second individual help with opening the mail by preparing a list of all monies received each day and having a second individual process the firework applications. A separate individual should also compare the list prepared to what was actually deposited and posted to the general ledger. All procedures performed must be documented.

*Agency's Response: We agree with the concept, however we do not have available staff to duplicate the mail opening duties. We have developed an online process, where fireworks retailers pay by credit card, eliminating the receipt of monies into the cash register. Our website provider is also working on the ability of receiving electronic checks, which would also eliminate the receipt of monies into the cash register.*

No Review of General Ledger

Good internal control requires a documented reconciliation of deposit documents to the general ledger be performed to ensure batches have posted correctly.

NEBRASKA STATE FIRE MARSHAL

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Internal Controls Over Revenues** (Continued)

No Review of General Ledger (Concluded)

The State Fire Marshal did not perform a reconciliation of deposit documents to the general ledger.

There is an increased risk of loss or misuse of State funds when a reconciliation of deposit documents to the general ledger is not performed to ensure coding is correct.

We recommend the State Fire Marshal review the general ledger periodically to make sure transactions posted correctly and document the review.

*Agency's Response: The Agency will review the general ledger periodically to ensure deposits were posted correctly.*

Policy for Writing off Accounts Receivable

Good accounting policies and internal controls require write-offs of uncollectible amounts when they are determined to no longer be collectible.

It is the Agency's unwritten policy to write off amounts which have been outstanding for more than three years.

The State Fire Marshal does not have a written policy for writing off accounts receivable which have been determined to be uncollectible within a reasonable timeframe. We noted \$13,355 in outstanding accounts receivable for Underground Storage Tanks and Petroleum Release Remedial Action Fees. This condition was also noted in the fiscal year 2001 audit.

When there is not a written policy for the handling of uncollectible accounts receivable there is an increased risk of inappropriate write off of accounts.

We recommend the State Fire Marshal develop a written policy for writing off accounts receivable which appear uncollectible. In addition, we recommend the State Fire Marshal consider writing off those accounts currently having a balance three years old or older.

*Agency's Response: A written policy will replace our informal policy for writing off accounts receivable which appear uncollectible.*

NEBRASKA STATE FIRE MARSHAL

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**2. Internal Controls Over Revenues** (Concluded)

Timeliness of Deposits

Neb. Rev. Stat. Section 84-710 R.R.S. 1999 states, "It shall be unlawful . . . to receive any fees, proceeds from the sale of any public property, or any money belonging to the state or due for any service rendered by virtue of state authority without paying the same into the state treasury within three business days of the receipt thereof when the aggregate amount is five hundred dollars or more and within seven days of the receipt thereof when the aggregate amount is less than five hundred dollars."

We noted one of twenty-five receipts was not deposited within three business days. The total received on that day was \$1,203. This was noted in our prior audit.

When deposits are not made in compliance with State Statute there is an increased risk of loss or misuse of State funds.

We recommend the State Fire Marshal implement procedures to ensure receipts are deposited in accordance with State Statute.

**3. Internal Controls Over Payroll**

Segregation of Duties

Good internal control requires an adequate segregation of duties over payroll to ensure no one individual is in the position to both perpetrate and conceal errors or irregularities. Good internal control also requires procedures to ensure financial transactions are authorized, complete, and accurate.

One employee reviews payroll prior to posting and also reviews the payroll register after payroll has posted. This employee has access to make changes to the payroll.

The possibility of a loss or misuse of State funds is increased when an adequate segregation of duties over payroll is not in place.

We recommend the State Fire Marshal implement procedures to have a second individual review the payroll register after payroll has posted.

NEBRASKA STATE FIRE MARSHAL

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**3. Internal Controls Over Payroll (Concluded)**

Segregation of Duties (Concluded)

*Agency's Response: We will have a second individual review the payroll register after payroll has posted.*

Year End Leave Balancing

NAPE/AFSCME and State of Nebraska Labor Contract, Section 14.7, Balancing of Vacation Leave states, "An employee's accumulated vacation time in excess of thirty-five days shall be forfeited as of the end of business on December 31<sup>st</sup> of each calendar."

Title 273 NAC Chapter 9, Provisions for Leave 004.02 Balancing of Vacation Leave states, "All employee's accumulated vacation time in excess of thirty-five days shall be forfeited as of December 31<sup>st</sup> of each calendar year."

SLEBC State of Nebraska Labor Contract 11.1.7 Balancing of Vacation Leave states, "An employee's accumulated vacation time in excess of thirty-five days shall be forfeited as of December 31<sup>st</sup> of each calendar year."

Good internal control requires procedures to ensure leave balances above the maximum allowed are promptly lapsed.

During our review of employee leave balances, we noted the following:

- Nineteen employees had vacation balances in excess of the maximum allowed. Hours in excess of the maximum ranged from 2 hours to 176 hours.
- One employee who terminated during the year still had a vacation leave balance of 5.25 hours on NIS.

When balances in excess of the allowable maximum are not promptly written off there is an increased risk of inaccurate leave payments.

We recommend the State Fire Marshal implement procedures to ensure excessive leave balances are promptly lapsed.

*Agency's Response: Excessive leave balances will be lapsed as soon as possible after each calendar year.*

NEBRASKA STATE FIRE MARSHAL

COMMENTS AND RECOMMENDATIONS

(Continued)

4. Travel Expenses

Meals and Lodging

Nebraska State Accounting Manual, AM-005, Travel Expense Policies, Section 6 states, “employees traveling on State business shall claim only actual amounts paid for meals. Employees should not submit claims based on any per diem amount.”

Good internal control requires policies and procedures to ensure reimbursements for meals and lodging are reasonable. The Department of Administrative Services (DAS) Accounting Division recommends the General Services Administration (GSA) - Federal per diem rates be used as a reasonable guideline for meal reimbursements.

We tested 13 travel documents and noted the following:

- Five documents included reimbursement for meals which appeared to be per diem amounts. Per diem amounts for meals ranged from \$6 to \$140, a total of \$297.

When the Federal guidelines are not followed there is an increased risk of reimbursement for unreasonable expenses.

We recommend the State Fire Marshal implement procedures to ensure employees claim actual expenses and amounts reimbursed for meals are reasonable.

*Agency’s Response: Employees are keeping logs of meal expenses. All employees are claiming actual expenses unless the amount exceeds the recommended guideline and then they only claim the guideline unless they have a receipt.*

Documentation and Approval

Neb. Rev. Stat. Section 81-1174 R.R.S. 1999 states, “Whenever any [State employee] is entitled to be reimbursed for actual expenses incurred . . . he or she shall be required to present a request for payment or reimbursement each month to the Director of Administrative Services. Each request shall be fully itemized, including when, where, and why the expense was incurred and the actual amount involved. When reimbursement is requested for mileage by automobile . . . the points between which such travel occurred, the times of arrival and departure and the necessity and purpose of such travel shall be shown on such request.”

NEBRASKA STATE FIRE MARSHAL

COMMENTS AND RECOMMENDATIONS

(Continued)

4. **Travel Expenses** (Concluded)

Documentation and Approval (Concluded)

Nebraska State Accounting Manual, AM-005, Travel Expense Policies, Expense Reimbursement Document "ERD" Guidelines states, "ERD should be signed by an authorized person." Good internal control requires review and approval of an expense reimbursement document by a supervisor or an individual with knowledge of the employees travel.

We noted the following regarding employee expense reimbursement documents:

- Four expense reimbursement documents were not signed by an authorized person with knowledge of the travel.
- One expense reimbursement document was not submitted within a timely manner. The document was submitted eight months after the actual travel took place.
- Two expense reimbursement documents did not include the city where the trip started.

There is an increased risk of loss or misuse of State funds when the expense reimbursement document is not approved. The longer the duration between the expense and the submittal of reimbursement documents increases the risk of expenses being inaccurate or not properly reported.

We recommend the State Fire Marshal implement procedures to ensure expense reimbursement documents are properly completed and submitted in a timely manner according to State Statute and the Nebraska Accounting Manual.

*Agency's Response: As of September 2005, employees are submitting their expense vouchers to their supervisors prior to submitting them for reimbursement.*

5. **Timesheets**

Neb. Rev. Stat. Section 84-1001 R.R.S. 1999 states, "All state officers and heads of departments and their deputies, assistants, and employees shall . . . render not less than forty hours of labor each week except any week in which a paid holiday may occur." Good internal control requires adequate documentation to ensure all employees render forty hours of work each week, particularly when employees will receive a payment for unused sick and vacation leave upon termination.

NEBRASKA STATE FIRE MARSHAL

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**5. Timesheets (Concluded)**

We tested nine employees' payroll and noted the State Fire Marshal did not maintain an adequate record of time worked. The State Fire Marshal only recorded leave used and did not document forty hours of work rendered each week. The State Fire Marshal earns vacation and sick leave.

Without accurate records to support time worked and leave used there is an increased risk of fraudulent or incorrect payments for unused leave at termination.

We recommend the State Fire Marshal keep timesheets for all employees of the office or otherwise adequately document forty hours of work each week. The documentation should include an accurate account of hours worked and leave used per day. The timesheet should be signed by the employee, and an individual aware of the hours worked or leave used, and kept on file for future review.

*Agency's Response: All employees of the Fire Marshal's Office are submitting electronic timesheets to their supervisors each bi-weekly pay period for review and approval. The State Fire Marshal is an appointed official and was not preparing a timesheet. The Fire Marshal will prepare a timesheet and submit to payroll.*

**6. Reconciliation of Bank Records to the Nebraska Information System**

Good internal control requires a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial information. Without a timely and complete reconciliation of bank records to the Nebraska Information System (NIS), there is a greater risk for fraud and errors to occur and to remain undetected.

During the audit of the Comprehensive Annual Financial Report (CAFR) of the State of Nebraska, the Auditor of Public Accounts (APA) noted the absence of reconciliation between the Nebraska State Treasurer's actual bank statements and Nebraska accounting records (in both NIS and NAS, the Nebraska Accounting System before NIS). This has been an issue for the Department of Administrative Services (DAS) Accounting Division for many years. The APA's previous versions noted monthly reconciliations have not been completed in a timely manner and reconciliations performed have shown significant unknown variances between the bank records and the accounting records, with the bank being short compared to the accounting records. Although DAS Accounting Division continues to work on correcting the reconciliation of bank records to NIS, the APA continues to note

NEBRASKA STATE FIRE MARSHAL

COMMENTS AND RECOMMENDATIONS

(Continued)

6. **Reconciliation of Bank Records to the Nebraska Information System** (Concluded)

areas where improvement is still needed in the reconciliation process to ensure NIS integrity and operational efficiency. Specifically, the APA noted the status of the reconciliation process as of August 11, 2005 to be as follows:

DAS Accounting Division has worked on the reconciliation process, but continued progress is needed. DAS Accounting Division's reconciliation process has developed into a very detailed process of analyzing bank activity, compared to activity recorded on NIS, to identify reconciling items. DAS Accounting Division has completed their reconciliation process for the months of June and July of 2004. The APA has reviewed these reconciliations. These two months show variances of \$2,944,126 and \$2,932,824, respectively. Again, the reconciliations show the bank being short compared to the accounting records. Per inquiry of management, DAS Accounting Division has started the reconciliation process for various months of the fiscal year ended June 30, 2005; however, the reconciliation process has not been a continuous monthly process and no monthly reconciliation has been completed since July of 2004.

Although DAS Accounting Division has worked on the reconciliation process, the process is still not done in a timely manner and the variance is inconsistent. The reconciliation continues to reflect unknown variances and shortages. Complete and timely reconciliation procedures between bank records and accounting records are required to provide control over cash and accurate financial information.

The APA recommends DAS Accounting Division continue their reconciliation process, in a more timely manner, and on at least a monthly basis, to ensure all financial information is correct on NIS. We also recommend, when a consistent cash variance between the bank records and the accounting records is obtained (based on at least six months of reconciliations), DAS submit their plan for adjusting NIS to the Governor and the Legislature so they may take appropriate action to correct NIS and resolve the variances noted.

This issue is the responsibility of DAS Accounting Division; however, as the variances have not been identified by fund or agency, this issue directly affects all Nebraska State agencies' financial information and must be disclosed in this report.

*Agency's Response: The responsibility for resolving this point lies with the Department of Administrative Services.*



# 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

Kate Witek  
State Auditor  
Kate.Witek@apa.ne.gov

NEBRASKA STATE FIRE MARSHAL

## INDEPENDENT ACCOUNTANT'S REPORT

Deann Haeffner, CPA  
Deputy State Auditor  
Deann.Haeffner@apa.ne.gov

State Fire Marshal  
Lincoln, Nebraska

Don Dunlap, CPA  
Asst. Deputy Auditor  
Don.Dunlap@apa.ne.gov

Pat Reding, CPA  
Asst. Deputy Auditor  
Pat.Reding@apa.ne.gov

Tim Channer, CPA  
Asst. Deputy Auditor  
Tim.Channer@apa.ne.gov

Mary Avery  
SAE/Finance Manager  
Mary.Avery@apa.ne.gov

Dennis Meyer, CGFM  
Subdivision Budget  
Coordinator  
Dennis.Meyer@apa.ne.gov

Mark Avery, CPA  
Subdivision Audit  
Review Coordinator  
Mark.Avery@apa.ne.gov

Perry Pirsch, JD, MPA  
Legal Counsel  
Perry.Pirsch@apa.ne.gov

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska State Fire Marshal (Agency) for the fiscal year ended June 30, 2005. The Agency'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.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements 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.

In our opinion, the schedule referred to above presents, in all material respects, the revenues, expenditures, and changes in fund balances of the Nebraska State Fire Marshal for the fiscal year ended June 30, 2005, 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 9, 2005, on our consideration of the Nebraska State Fire Marshal's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and

other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an attestation engagement performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our examination.

This report is intended solely for the information and use of the Agency and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Don Dunlap CPA". The signature is written in a cursive, flowing style.

Assistant Deputy Auditor

September 9, 2005

NEBRASKA STATE FIRE MARSHAL  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
For the Fiscal Year Ended June 30, 2005

	General Fund 10000	Fire Insurance Tax Fund 21220	Pipeline Safety Fund 21230	State Fire Marshal Fund 21250
<b>REVENUES:</b>				
Appropriations	\$ 3,118,249	\$ -	\$ -	\$ -
Intergovernmental	393	-	80,904	86,006
Sales & Charges	-	-	115,210	271,449
Miscellaneous	-	188	15,322	17,690
<b>TOTAL REVENUES</b>	<b>3,118,642</b>	<b>188</b>	<b>211,436</b>	<b>375,145</b>
<b>EXPENDITURES:</b>				
Personal Services	2,479,009	-	-	392,932
Operating	301,825	(1,173)	-	32,994
Travel	320,093	-	-	2,025
Capital Outlay	17,322	-	-	43,860
Government Aid	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>3,118,249</b>	<b>(1,173)</b>	<b>-</b>	<b>471,811</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	393	1,361	211,436	(96,666)
<b>OTHER FINANCING SOURCES (USES):</b>				
Sales of Assets	327	-	-	752
Deposit to General Fund	(720)	-	-	-
Deposit to/from Common Fund	-	-	-	-
Operating Transfers In	-	-	-	1,617
Operating Transfers Out	-	(1,617)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(393)</b>	<b>(1,617)</b>	<b>-</b>	<b>2,369</b>
Net Change in Fund Balances	-	(256)	211,436	(94,297)
FUND BALANCES, JULY 1, 2004	8,754	4,434	358,185	614,860
FUND BALANCES, JUNE 30, 2005	<u>\$ 8,754</u>	<u>\$ 4,178</u>	<u>\$ 569,621</u>	<u>\$ 520,563</u>
<b>FUND BALANCES CONSIST OF:</b>				
General Cash	\$ -	\$ 1,014	\$ 569,621	\$ 476,850
Petty Cash	-	25	-	25
NSF Items	-	-	-	195
Computer Hardware Equipment	-	-	-	-
Deposits with Vendors	8,754	3,139	-	980
Accounts Receivable Invoiced	-	-	-	13
Due From Other Funds	-	-	-	42,500
Rec'd Not Vouchered	-	-	-	-
Due to Vendors	-	-	-	-
Due to Fund	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b><u>\$ 8,754</u></b>	<b><u>\$ 4,178</u></b>	<b><u>\$ 569,621</u></b>	<b><u>\$ 520,563</u></b>

The accompanying notes are an integral part of the schedule.

Training Division Fund 21251	Underground Storage Tank Fund 22110	Petroleum Release Fund 28490	Fire Marshal Federal Fund 41210	<b>Totals (Memorandum Only)</b>
\$ -	\$ -	\$ -	\$ -	\$ 3,118,249
3,900	-	-	709,781	880,984
14,367	186,591	529,590	-	1,117,207
-	65,998	-	(37,671)	61,527
<u>18,267</u>	<u>252,589</u>	<u>529,590</u>	<u>672,110</u>	<u>5,177,967</u>
-	130,924	-	399,001	3,401,866
-	23,686	-	134,951	492,283
-	16,391	-	76,118	414,627
-	13,160	-	424,768	499,110
-	-	-	31,080	31,080
-	<u>184,161</u>	-	<u>1,065,918</u>	<u>4,838,966</u>
<u>18,267</u>	<u>68,428</u>	<u>529,590</u>	<u>(393,808)</u>	<u>339,001</u>
-	673	-	-	1,752
-	-	-	-	(720)
-	-	(529,590)	-	(529,590)
-	177,156	-	-	178,773
-	(127,156)	-	-	(128,773)
-	<u>50,673</u>	<u>(529,590)</u>	-	<u>(478,558)</u>
18,267	119,101	-	(393,808)	(139,557)
<u>69,600</u>	<u>387,024</u>	-	<u>526,998</u>	<u>1,969,855</u>
<u>\$ 87,867</u>	<u>\$ 506,125</u>	<u>\$ -</u>	<u>\$ 133,190</u>	<u>\$ 1,830,298</u>
\$ 92,867	\$ 506,125	\$ -	\$ 182,505	\$ 1,828,982
-	-	-	-	50
-	-	-	-	195
-	-	-	-	-
-	-	-	-	12,873
-	-	-	160	173
(5,000)	-	-	-	37,500
-	-	-	(11,529)	(11,529)
-	-	-	(446)	(446)
-	-	-	(37,500)	(37,500)
<u>\$ 87,867</u>	<u>\$ 506,125</u>	<u>\$ -</u>	<u>\$ 133,190</u>	<u>\$ 1,830,298</u>

NEBRASKA STATE FIRE MARSHAL

**NOTES TO THE SCHEDULE**

For the Fiscal Year Ended June 30, 2005

**1. Criteria**

The accounting policies of the Nebraska State Fire Marshal 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(2) R.S.Supp., 2004, 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 Agency 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, 2005 includes only those payables posted to NIS before June 30, 2005 and not yet paid as of that date. The amount recorded as expenditures as of June 30, 2005 **does not** include amounts for goods and services received before June 30, 2005 which had not been posted to NIS as of June 30, 2005.

NIS also records other liabilities in an account titled Due to Fund. The assets in this fund is being held by the State as an agent and will be used to pay those liabilities to other funds. The recording of those liabilities reduces the fund balance/equity.

The Agency had accounts receivable not included in the Schedule of \$94,100 at June 30, 2005 from various fees and inspections completed during the fiscal year. DAS did not require the Agency to record their receivables on the NIS system and these amounts are not reflected in revenues or fund balances on the Schedule. The NIS system does not include liabilities for accrued payroll and compensated absences.

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

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

NEBRASKA STATE FIRE MARSHAL

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.

**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 Agency 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 Agency are:

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

**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.

**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.

NEBRASKA STATE FIRE MARSHAL

**NOTES TO THE SCHEDULE**

(Continued)

**1. Criteria** (Concluded)

Other significant object account codes established by NIS and used by the Agency 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 and are reported as recorded on NIS.

**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 liabilities recorded on NIS for the Agency's funds at June 30, 2005 included Due to Fund. The activity of this account is not recorded on the Schedule of Revenues, Expenditures, and Changes in Fund Balances as it is not recorded through revenue and expenditure accounts.

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

**2. State Agency**

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

The Nebraska State Fire Marshal is part of the primary government for the State of Nebraska.

**3. 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.

**4. 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. 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). The Agency's values all capital assets at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair

NEBRASKA STATE FIRE MARSHAL

**NOTES TO THE SCHEDULE**

(Continued)

**4. Capital Assets** (Concluded)

market value on the date received. Generally, equipment that has a cost of \$500 at the date of acquisition and has an expected useful life of two or more years is capitalized. Depreciation expenses would be reported in the CAFR in the funds used to acquire or construct them 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.

Equipment is depreciated using the straight-line method with estimated useful lives of three to ten years.

Capital asset activity of the Agency for the fiscal year ended June 30, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets				
Equipment	\$ 1,177,092	\$ 371,143	\$ 58,065	\$ 1,490,170
Less accumulated depreciation for:				
Equipment				832,551
Total capital assets, net of depreciation				\$ 657,619

The State Fire Marshal reported capital asset additions of \$371,143 for fiscal year ended June 30, 2005; however, additions did not agree with what was recorded as capital outlay in the financial schedule. The State Fire Marshal's capital outlay was recorded as \$499,110, a difference of \$127,967. This difference is due to the State Fire Marshal purchasing equipment on behalf of other State agencies, per Homeland Security grant agreement, State Domestic Preparedness Equipment Grant Program, CFDA 16.007.

**5. Transfers**

Neb. Rev. Stat. Section 66-1519(3) R.R.S. 2003 allows for the expenses incurred by the State Fire Marshal relating to fees collected for the Petroleum Release Remedial Action Act to be reimbursed. This reimbursement is reflected as a Transfer In, of \$177,156 to the Underground Storage Tank Fund 22110.

**6. Deposits to/from Common Funds**

Neb. Rev. Stat. Section 66-1520 R.R.S. 2003 requires the Nebraska State Fire Marshal to collect a petroleum release remedial action fee that is remitted to the State Treasurer for deposit into the Petroleum Release Fund 28490. The collections are reflected as Sales and Charges of \$529,590 and then shown as Deposits to the Nebraska Department of Environmental Quality for Fund 28490. The Nebraska Department of Environmental Quality maintains and is responsible for this Fund.



# 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

**Kate Witek**  
State Auditor  
Kate.Witek@apa.ne.gov

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

**Deann Haeffner, CPA**  
Deputy State Auditor  
Deann.Haeffner@apa.ne.gov

**Don Dunlap, CPA**  
Asst. Deputy Auditor  
Don.Dunlap@apa.ne.gov

State Fire Marshal  
Lincoln, Nebraska

**Pat Reding, CPA**  
Asst. Deputy Auditor  
Pat.Reding@apa.ne.gov

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska State Fire Marshal for the fiscal year ended June 30, 2005, and have issued our report thereon dated September 9, 2005. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Tim Channer, CPA**  
Asst. Deputy Auditor  
Tim.Channer@apa.ne.gov

**Mary Avery**  
SAE/Finance Manager  
Mary.Avery@apa.ne.gov

Internal Control Over Financial Reporting

**Dennis Meyer, CGFM**  
Subdivision Budget  
Coordinator  
Dennis.Meyer@apa.ne.gov

In planning and performing our examination, we considered the Nebraska State Fire Marshal'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 an opinion 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 State Fire Marshal'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 2 (Internal Controls Over Revenues) and Comment Number 6 (Reconciliation of Bank Records to the Nebraska Information System).

**Mark Avery, CPA**  
Subdivision Audit  
Review Coordinator  
Mark.Avery@apa.ne.gov

**Perry Pirsch, JD, MPA**  
Legal Counsel  
Perry.Pirsch@apa.ne.gov

A material weakness is a reportable 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 caused by error or fraud 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, we believe that none of the reportable conditions described above are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nebraska State Fire Marshal'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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*

We also noted certain additional items that we reported to management of the Nebraska State Fire Marshal in the Comments Section of this report as Comment Number 1 (Cost of Services), Comment Number 3 (Internal Controls Over Payroll), Comment Number 4 (Travel Expenses), and Comment Number 5 (Timesheets).

This report is intended solely for the information and use of the Agency and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

September 9, 2005



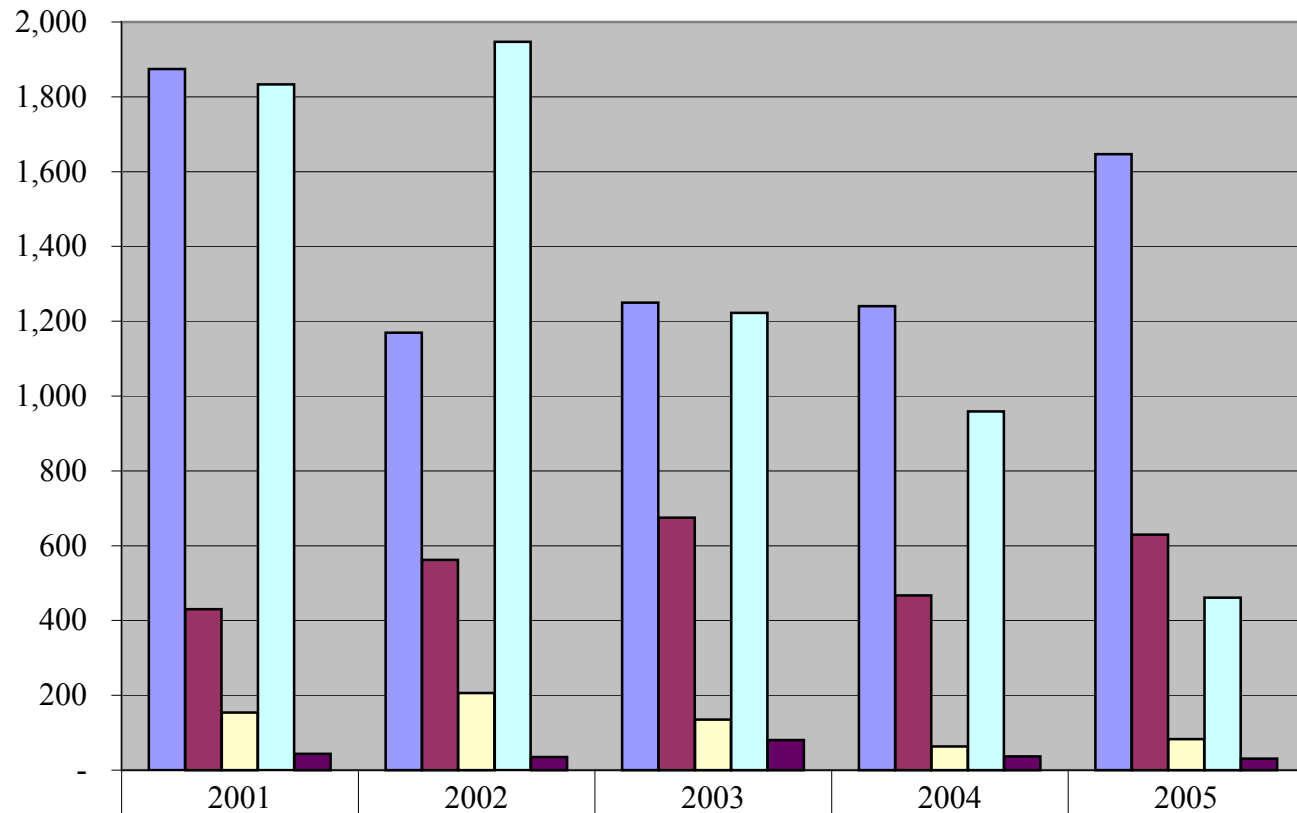
Assistant Deputy Auditor

NEBRASKA STATE FIRE MARSHAL

**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 STATE FIRE MARSHAL**  
**FIRE INSPECTION ACTIVITIES**  
For Fiscal Years 2001 through 2005



■ Plans Reviewed	1,874	1,169	1,250	1,240	1,647
■ Pipeline Inspections	430	562	675	467	630
■ New Tank/Piping Inspections	154	206	135	63	83
■ Safety Inspections (Tanks)	1,833	1,947	1,222	959	461
■ Petroleum Leak Inspections	44	35	80	37	31