

**ATTESTATION REPORT  
OF THE  
NEBRASKA LEGISLATIVE COUNCIL  
JULY 1, 2003 THROUGH JUNE 30, 2004**

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**Issued on January 10, 2005**

NEBRASKA LEGISLATIVE COUNCIL

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## NEBRASKA LEGISLATIVE COUNCIL

### **BACKGROUND**

The Legislative Council (Council), created in 1937, consists of the 49 Senators in the Legislature. In 1967, the Legislature placed all legislative services and personnel under the Legislative Council. The Council's Executive Board serves to represent the Council on a regular basis in the routine administration of legislative services and personnel. The Executive Board consists of a Chairman, Vice Chairman, the Speaker of the Legislature, and six members of the Legislature at large. The Chairman of the Appropriation's Committee serves as a non-voting ex-officio member of the Executive Board when the Board is considering fiscal administration.

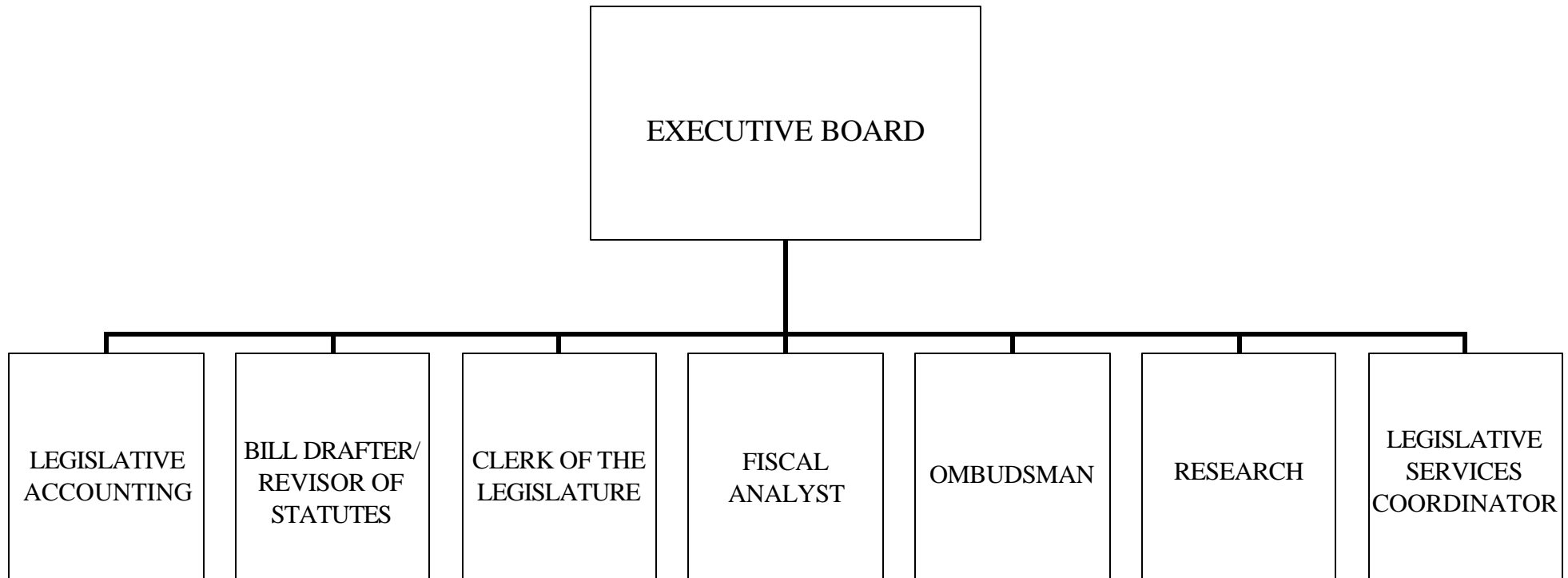
In addition to the staff serving individual legislators and those providing accounting, and maintenance services, the Legislative Council has several support offices such as the Clerk, Bill Drafter, Legislative Fiscal Analyst, and Research Division which provide services to the entire Legislature. An Ombudsman is retained by the Council to investigate public concerns about State agencies.

### **MISSION STATEMENT**

To provide the personnel, services, equipment, travel and other resources necessary for the conduct of the Legislature according to the provisions of the Constitution and Statutes of the State of Nebraska.

## NEBRASKA LEGISLATIVE COUNCIL

### ORGANIZATIONAL CHART



The Legislature or Legislative Council has the ultimate authority to staff, organize, and approve agency budgets. The distinction is based upon session or interim whereby the Legislature is the ultimate authority when in session while the Legislative Council carries the authority during the interim.

Most administrative organizational functions of the Legislative Council have been delegated to the Executive Board. The Executive Board supervises all services and personnel of the Legislature. The actions of the Executive Board are subject to review by the Legislature or Legislative Council.

# NEBRASKA LEGISLATIVE COUNCIL

## EXIT CONFERENCE

An exit conference was held December 15, 2004 with the Council to discuss the results of our examination. Those in attendance for the Nebraska Legislative Council were:

<b>NAME</b>	<b>TITLE</b>
Patrick O'Donnell	Clerk of the Legislature
Janice Satra	Legal Counsel, Executive Board
Diane Nickolite	Business Manager

## NEBRASKA LEGISLATIVE COUNCIL

### SUMMARY OF COMMENTS

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

- 1. *Nebraska Information System and Accounting Procedures:*** Significant areas of concern where improvement to the Nebraska Information System (NIS) is needed to ensure NIS integrity and operational efficiency were identified.
- 2. *Cash Fund Balance:*** The balance of the Clerk of the Legislature cash fund was greater than expenditures for the fiscal year.

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

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

## NEBRASKA LEGISLATIVE COUNCIL

### COMMENTS AND RECOMMENDATIONS

#### 1. Nebraska Information System and Accounting Procedures

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). Three major components were the Payroll, Fixed Asset, and Financial components, which went live during the fiscal year ended June 30, 2003. During the fiscal year ended June 30, 2004, the Procurement and Employee Self-Service components were partially implemented. 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 obtained a further understanding of NIS.

From these studies and examinations, the APA has identified concerns and areas where improvement to NIS is needed. During the fiscal year ended June 30, 2004, the Department of Administrative Services (DAS) Accounting Division addressed some areas of concern previously reported. However, the following are the more significant concerns or areas where improvement is still needed to ensure NIS integrity and operational efficiency:

- a. The reconciliation between the State Treasurer's actual bank statements and records, the Nebraska Accounting System (NAS-the previous accounting system before NIS), NIS accounting records, and the related disposition of reconciling items was not completed for November 2002 through December 2003 in a timely manner. Subsequent to December 2003, the DAS Accounting Division performed some reconciliation procedures. As of July 2004, the June 30, 2003, reconciliation indicates an unknown variance between the bank records and the accounting records of \$3,654,783, with the bank being short compared to the accounting records.

During the fiscal year ended June 30, 2004, DAS Accounting Division began performing a daily reconciliation of activity recorded on NIS compared to the activity recorded in the bank on a limited test basis. For those days tested, the activity recorded on NIS can be reconciled to the activity in the bank. The monthly reconciliations for the months of July 2003 through February 2004 for the fiscal year ended June 30, 2004 have been performed and indicate fluctuations in the variance amounts. The latest monthly reconciliation performed, February 2004, indicates an

# NEBRASKA LEGISLATIVE COUNCIL

## COMMENTS AND RECOMMENDATIONS

(Continued)

### 1. Nebraska Information System and Accounting Procedures (Continued)

unknown variance between the bank records and the accounting records of \$5,112,201, with the bank being short compared to the accounting records. This variance was provided to us by DAS Accounting Division and its accuracy has not been verified by the APA.

Although some reconciliation procedures have been performed (daily reconciliation of activity going through NIS to the activity recorded through the bank), the monthly reconciliation for the months March 2004 through June 2004 are still in the preliminary stages and are not complete as of July 2004. Complete and timely reconciliation procedures between bank records and accounting records provide control over cash and accurate financial information. The reconciliation procedures should be completed timely and on at least a monthly basis to ensure all financial information is correct in NIS.

- b. During the early implementation months of NIS, DAS Accounting Division did not have a comprehensive written NIS policy and procedures manual available for users. During the fiscal year ended June 30, 2004, DAS Accounting Division made progress in this area and significant policies and procedures can be found by users on the DAS Accounting Division website. However, the APA, after reviewing the old accounting procedures manual, did note some procedures still being performed under those policies that have not been incorporated as NIS policies. We recommend DAS Accounting Division continue to update their NIS policies and procedures to include all policies and procedures in place to help ensure consistent and accurate accounting of the State's financial transactions.
- c. During the early implementation of NIS it was determined the NIS Payroll application was not allocating salaries and benefits appropriately to salaried employees who incur hours that are distributed across multiple business units. This would apply to many State agencies' funds, programs, and grants. During the fiscal year ended June 30, 2004, agencies developed "work around" solutions to this problem, however, there has been no system change to resolve this problem. The "work around" solutions can be very time consuming. We recommend DAS Accounting Division consider obtaining a system change to allocate salaries and benefits appropriately for salaried employees who incur hours that are distributed across multiple business units.
- d. During the first year of NIS implementation an outside consultant noted a detailed analysis had not been performed to determine whether users received adequate training to enable them to appropriately perform their job functions. The APA is not aware of any detailed analysis of user training conducted by the DAS Accounting Division during the fiscal year ended June 30, 2004, but does acknowledge a significant training effort by the DAS Accounting Division during this period. We recommend the DAS Accounting Division continue their training efforts as well as identifying user training needs.



NEBRASKA LEGISLATIVE COUNCIL

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Nebraska Information System and Accounting Procedures** (Continued)

- e. Since the implementation of NIS, DAS Accounting Division has not updated their records retention and disposition schedule with the Records Management Division of the Secretary of State (Secretary of State). The records retention schedule on file with the Secretary of State covers the records under the old accounting system and was last updated in 1986.

Neb. Rev. Stat. Section 84-1207 R.R.S. 1999 states the head of any State agency shall make, and submit to the State Records Administrator schedules proposing the length of time each record series warrants retention for administrative, legal, historical or fiscal purposes, after it has been made in or received by the agency, and lists of records in the custody or under the control of the agency which are not needed in the transaction of current business, and do not possess sufficient administrative, legal, historical or fiscal value to warrant their further retention.

Since many of the records (and their titles) are significantly different under NIS than they were under the old accounting system we do not believe the DAS Accounting Division is in compliance with the above statute with the current retention schedule on file with the Secretary of State. In addition, for legal purposes and for good business practices we believe a comprehensive DAS Accounting Division records retention schedule is imperative. We recommend the DAS Accounting Division work with the Secretary of State to develop a comprehensive records retention schedule for all records they maintain.

- f. The payroll component is not designed to promote an effective segregation of duties. We recommend the DAS Accounting Division consider implementing the compensating control as identified in the k. section of this comment.
- g. During the first year of NIS implementation an outside consultant noted access to sensitive General Accounting functions had been provided to individuals who may not require such access as a part of their job responsibilities. Based on our inquiries, DAS Accounting Division management noted, "All critical function access rights have been secured down to the appropriate high level matrix codes." We could not verify the accuracy of this statement as requested information and documentation have not been provided to us.
- h. During the first year of NIS implementation an outside consultant noted the State had not documented or formalized comprehensive information security procedures for NIS. Based on our inquiries, DAS Accounting Division management noted, "The NIS CNC's and the NIS Security team have developed a comprehensive security policy." We could not verify the accuracy of this statement as requested information and documentation have not been provided to us.

# NEBRASKA LEGISLATIVE COUNCIL

## COMMENTS AND RECOMMENDATIONS

(Continued)

### 1. **Nebraska Information System and Accounting Procedures** (Continued)

- i. During the first year of NIS implementation an outside consultant noted the State had not implemented a formal, comprehensive business continuity or disaster recovery plan that comprehends both NIS and its supporting infrastructure. Based on our inquiries, DAS Accounting Division management noted, "We have now contracted with an outside vendor for business continuity planning." Documentation provided to us by DAS management indicates the State has a disaster recovery plan, however, it is not complete and the business continuity plan is in the draft stage but has not yet been tested. We recommend the State continue to implement formal, comprehensive business continuity and disaster recovery plans.
- j. The APA reviewed certain data in the NIS address book in July 2004. We noted the following related vendor information:
  1. Duplicate Name and Address – Our review noted a total of 4,435 duplicate records. However, all have different address book numbers.
  2. Duplicate Bank Information – 4,118 vendors had duplicate bank information.
  3. Vendors with no Federal Tax Identification Number (FTIN) in NIS and Vendors with an FTIN of 000000000 – 3,789 vendors either had no FTIN or an FTIN with all zeros. The vendors with zeros as their FTIN were all PW (welfare) vendor types. Out of the 3,789 records 3,408 had no FTIN at all.

When duplicate records are in the NIS address book database there is a greater risk of duplicate payments being made and not being detected and queries of the database for vendor information may not be complete because the queries may not include all vendor information. In addition, when the database does not include FTIN numbers for all vendors there is a greater risk of payments to a fictitious vendor. DAS Accounting Division should correct the database for duplicate records and ensure all vendors included in the database have an FTIN.

- k. DAS Accounting Division payroll procedures require each State agency to certify its payroll for each pay period to ensure payroll is processed accurately and completely. This certification is to be in writing, either through an email or letter to the DAS Accounting Administrator. In our review of the final payroll notification and certification procedures processed in July 2003 and May of 2004 and discussion with DAS Accounting Division personnel, the certification procedures were not always performed. Our review also noted that the DAS Accounting Division did not have a policy on the information that should be included in the written certification. We noted during our testing, when there was a certification, there was no consistency in the information provided by State agencies.

# NEBRASKA LEGISLATIVE COUNCIL

## COMMENTS AND RECOMMENDATIONS

(Continued)

### 1. **Nebraska Information System and Accounting Procedures** (Concluded)

DAS Accounting Division should establish a policy on detailing the information to be included in the certification, should ensure all State agencies consistently follow this policy, and ensure all payroll expenditures are certified.

The issues identified above are the responsibility of the DAS 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 DAS, who is responsible for NIS. Letters to each State agency communicated the results of the APA's preliminary examination of internal controls at the State agency level. Additional concerns identified by the APA were communicated to the appropriate State officials.

### 2. **Cash Fund Balance**

Good fiscal policy requires fund balances be periodically reviewed. Neb. Rev. Stat. Section 50-114.05 R.R.S. 2004 establishes the Clerk of the Legislature Cash Fund and states the purpose for which the fund is to be used.

We noted the Clerk of the Legislature Cash Fund balance at June 30, 2004, was \$212,714; expenditures for the fiscal year were \$14,767. The Fund balance has increased from \$97,728 at June 30, 2000.

Excessive fund balances may indicate administrative costs were not properly charged or could indicate an opportunity to reduce taxpayer support of agency functions by utilizing cash funds in lieu of general funds.

We recommend the Legislative Council review expenditures to ensure all appropriate costs have been charged and consider legislative changes as necessary to reduce the Fund balance to an acceptable level.

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## NEBRASKA LEGISLATIVE COUNCIL

### INDEPENDENT ACCOUNTANT'S REPORT

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Legislative Council Executive Board  
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We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Legislative Council (Council) for the fiscal year ended June 30, 2004. The Council'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.

Pat Reding, CPA  
Asst. Deputy Auditor  
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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.

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In our opinion, the schedule referred to above presents, in all material respects, the revenues, expenditures, and changes in fund balances of the Nebraska Legislative Council for the fiscal year ended June 30, 2004, based on the accounting system and procedures prescribed by the State of Nebraska Director of Administrative Services as described in Note 1.

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In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2004, on our consideration of the Nebraska Legislative Council'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 Council and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

Pat Reding, CPA

Assistant Deputy Auditor

December 15, 2004

NEBRASKA LEGISLATIVE COUNCIL  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
For the Fiscal Year Ended June 30, 2004

	General Fund 10000	NLSIS Fund 20300	Clerk of the Legislature Fund 20330	Nebraska Health Care Fund 22640	<b>Total (Memorandum Only)</b>
REVENUES:					
Appropriations	\$ 13,687,623	\$ -	\$ -	\$ -	\$ 13,687,623
Sales & Charges	21,734	11,684	32,390	-	65,808
Miscellaneous	114	4,092	7,697	-	11,903
TOTAL REVENUES	<u>13,709,471</u>	<u>15,776</u>	<u>40,087</u>	<u>-</u>	<u>13,765,334</u>
EXPENDITURES:					
Personal Services	11,811,843	-	-	-	11,811,843
Operating	1,339,079	28,615	14,534	80,073	1,462,301
Travel	403,265	-	-	-	403,265
Capital Outlay	133,436	-	233	-	133,669
TOTAL EXPENDITURES	<u>13,687,623</u>	<u>28,615</u>	<u>14,767</u>	<u>80,073</u>	<u>13,811,078</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>21,848</u>	<u>(12,839)</u>	<u>25,320</u>	<u>(80,073)</u>	<u>(45,744)</u>
OTHER FINANCING SOURCES (USES):					
Sales of Assets	10,095	-	25	-	10,120
Deposit to General Fund	(31,943)	-	-	-	(31,943)
Operating Transfers In	-	-	-	500,000	500,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>(21,848)</u>	<u>-</u>	<u>25</u>	<u>500,000</u>	<u>478,177</u>
Net Change in Fund Balances	-	(12,839)	25,345	419,927	432,433
FUND BALANCES, JULY 1, 2003	<u>20,153</u>	<u>116,952</u>	<u>187,369</u>	<u>-</u>	<u>324,474</u>
FUND BALANCES, JUNE 30, 2004	<u>\$ 20,153</u>	<u>\$ 104,113</u>	<u>\$ 212,714</u>	<u>\$ 419,927</u>	<u>\$ 756,907</u>
FUND BALANCES CONSIST OF:					
General Cash	\$ -	\$ 104,104	\$ 212,714	\$ -	\$ 316,818
Cash in Common Fund	-	-	-	419,927	419,927
Deposits with Vendors	20,153	9	-	-	20,162
TOTAL FUND BALANCES	<u>\$ 20,153</u>	<u>\$ 104,113</u>	<u>\$ 212,714</u>	<u>\$ 419,927</u>	<u>\$ 756,907</u>

The accompanying notes are an integral part of the schedule.

# NEBRASKA LEGISLATIVE COUNCIL

## NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2004

### 1. Criteria

The accounting policies of the Nebraska Legislative Council 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.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 Council 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, 2004 includes only those payables posted to NIS before June 30, 2004 and not yet paid as of that date. The amount recorded as expenditures as of June 30, 2004 **does not** include amounts for goods and services received before June 30, 2004 which had not been posted to NIS as of June 30, 2004.

The Department had no accounts receivable at June 30, 2004. The NIS system does not include liabilities for accrued payroll and compensated absences.

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

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

**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.

The major revenue object account codes established by NIS used by the Council 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.

NEBRASKA LEGISLATIVE COUNCIL

NOTES TO THE SCHEDULE

(Continued)

1. **Criteria** (Concluded)

**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 Council are:

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

**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.

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

**Assets** – Resources owned or held by a government that have monetary value. Assets include cash accounts and deposits with vendors. Cash accounts and deposits with vendors are also included in the 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 Council's funds at June 30, 2004 included Due to Fund. The activity for these accounts are not recorded on the Schedule of Revenues, Expenditures, and Changes in Fund Balances as they are not recorded through revenue and expenditure accounts.

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

2. **State Agency**

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

The Nebraska Legislative Council is part of the primary government for the State of Nebraska.



NEBRASKA LEGISLATIVE COUNCIL

NOTES TO THE SCHEDULE

(Continued)

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 Council'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 market value on the date received. Generally, all equipment that has an expected useful life 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 Council for the fiscal year ended June 30, 2004 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets				
Equipment	\$ 3,655,046	\$ 82,181	\$ 489,143	\$ 3,248,084
Less accumulated depreciation for:				
Equipment				3,031,387
Total capital assets, net of depreciation				\$ 216,697

5. **Transfers**

2004 Neb. Laws LB 1089, appropriated \$500,000 in cash funds from the Nebraska Health Care Cash Fund to Legislative Council Program 122 for the purpose of ongoing health-related research and public policy development by the Health and Human Services Committee of the Legislature.

NEBRASKA LEGISLATIVE COUNCIL

**NOTES TO THE SCHEDULE**

(Continued)

**6. Cash in Common Fund**

The Nebraska Health Care Cash Fund is under the authority of the Nebraska Health and Human Services System. The Cash in Common Fund represents the unspent authorization transferred to Legislative Council Program 122 per LB 1089.

# STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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NEBRASKA LEGISLATIVE COUNCIL  
**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**

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Legislative Council Executive Board  
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Legislative Council for the fiscal year ended June 30, 2004, and have issued our report thereon dated December 15, 2004. 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.

## Internal Control Over Financial Reporting

In planning and performing our examination, we considered the Nebraska Legislative Council'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 a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Nebraska Legislative Council's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedule. A reportable condition is described in the Comments Section of the report as Comment Number 1 (Nebraska Information System and Accounting Procedures).

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 the reportable condition described above is not a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nebraska Legislative Council'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 a certain additional item that we reported to management of the Nebraska Legislative Council in the Comments Section of this report as Comment Number 2 (Cash Fund Balance).

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

*Pat Reding, CPA*

December 15, 2004

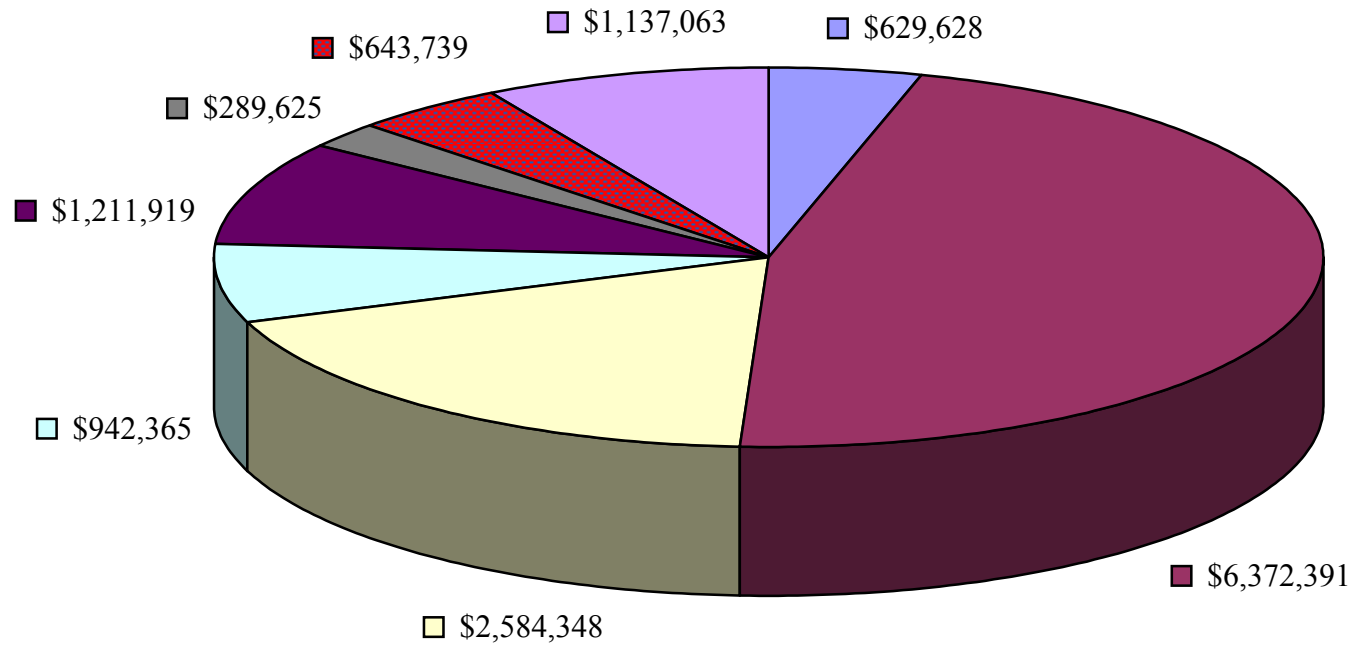
Assistant Deputy Auditor

## NEBRASKA LEGISLATIVE COUNCIL

### 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 LEGISLATIVE COUNCIL  
**DISBURSEMENTS BY PROGRAM**  
 Fiscal Year Ended June 30, 2004



Salaries - Legislator's	Legislative Services	Clerk of Legislature
Legislative Research Service	Revisor of Statutes	Committee on Intergovernmental Cooperation
Office of Public Counsel	Fiscal and Program Analysis	

## NEBRASKA LEGISLATIVE COUNCIL

### PROGRAM DESCRIPTIONS FOR THE CHART ON PRECEDING PAGE

For the Fiscal Year Ended June 30, 2004

#### **LEGISLATOR'S SALARIES**

Provides funds to pay Legislators' salaries as authorized by Article III, Section 7, of the Constitution of Nebraska.

#### **LEGISLATIVE SERVICES**

Provides staff assistance to the Executive Board that will allow for efficient administration of the agency. Assists the Legislature, its committees, and members in their lawmaking and policy formulation functions.

#### **CLERK OF THE LEGISLATURE**

Provides support for the year-round operation of the Legislature's chief administrative officer. Provides a large share of the administrative support for each regular session and special session as necessary. Responsible for the registration of lobbyists, and compiles quarterly reports of receipts and expenditures by lobbyists and principals. Funding for the Legislative Technology Center, which exists to serve Senators and legislative personnel on issues relating to information technology.

#### **LEGISLATIVE RESEARCH**

Provides public policy and legal research to the members of the Legislature and legislative staff in support of the Legislature's policy-making role. Evaluates programs in conjunction with the work of the legislative Program Evaluation Committee.

#### **REVISOR OF STATUTES**

Responsible for preparing and publishing supplements and reissued and replacement volumes to the statutes. In addition, they are responsible for assisting members of the Legislature and the executive departments of the state in the preparation of bills, amendments, resolutions, and other related measures.

#### **INTERGOVERNMENTAL COOPERATION**

Responsible for encouraging the adoption of uniform or reciprocal statutes, administrative rules and regulations, and informal cooperation of governmental offices. In addition, to facilitate the utilization of staff resources and to encourage as well as promote the development of expertise among various staff positions by funding staff members' attendance at the participation in meetings, conferences, and committee hearings on behalf of their Senator or committee.

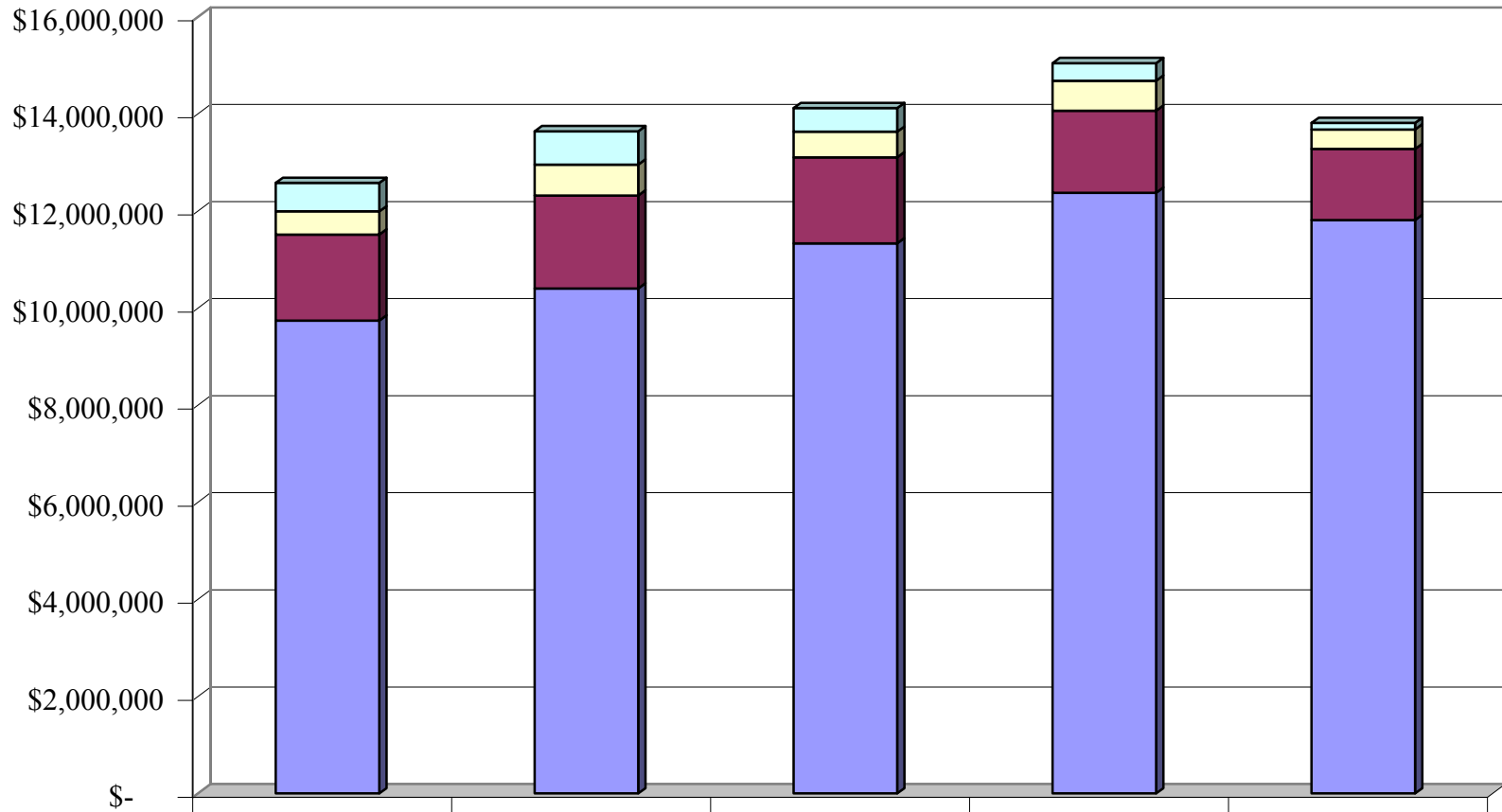
#### **OFFICE OF PUBLIC COUNSEL (OMBUDSMAN)**

Responsible for receiving, investigating, and attempting to resolve citizens' miscellaneous complaints relating to administrative agencies of state government. Also responds to citizens' requests for general information relating to the operation of government, and participates in interim studies in cooperation with other Legislative Divisions and Senators' staff.

#### **FISCAL AND PROGRAM ANALYSIS**

Provides for the financing of the Legislative Fiscal Office, whose primary function is to provide staff assistance to the Legislature, in particular, as provided in statute, to the Appropriations Committee during their deliberations in formulating a budget recommendation to the Legislature.

**NEBRASKA LEGISLATIVE COUNCIL**  
**DISBURSEMENTS BY MAJOR ACCOUNT CATEGORY**  
Fiscal Years Ended June 30, 2000 through 2004



	2000	2001	2002	2003	2004
Capital Outlay	\$587,344	\$688,238	\$486,624	\$361,363	\$133,669
Travel	\$477,387	\$635,353	\$527,840	\$617,736	\$403,265
Operating Expenses	\$1,772,019	\$1,917,847	\$1,772,977	\$1,690,129	\$1,462,301
Personal Services	\$9,739,611	\$10,400,061	\$11,329,546	\$12,373,870	\$11,811,843



NEBRASKA LEGISLATIVE COUNCIL  
**CASH FUND BALANCES AND DISBURSEMENTS**  
 Fiscal Years Ended June 30, 2000 through 2004

