



Attestation Report of the Nebraska State Electrical Division July 1, 2003 through June 30, 2004

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Report Highlights

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The Independent Accountant's Report was qualified as we were unable to obtain sufficient documentation supporting the Revenues stated at \$1,092,903, which is included on the Schedule of Revenues, Expenditures, and Changes in Fund Balances at fiscal year end June 30, 2004; nor were we able to satisfy ourselves as to the amount of revenues by other auditing procedures.

Our report included 10 Comments and Recommendations, as noted below:

1. Control Environment: The control environment was not conducive to fair and complete financial reporting, as further illustrated below.

2. Internal Control Over Receipts: The Division recorded \$1,092,903 in receipts in the State accounting system; however, due to serious internal control deficiencies and a lack of adequate records we were unable to provide assurance all money received and all money due to the Division were properly deposited in the State Treasury.

3. Other Internal Control Issues: There was a general lack of segregation of duties and inadequate or lack of monitoring procedures over the accounting functions related to payroll, capital assets, and expenditures.

4. Support for Fees Charged: The Division did not have documentation on file to support whether the fees for licenses, permits, exams, or other miscellaneous charges were sufficient to cover the costs incurred by the Division or whether they may be excessive. This was also noted in the fiscal year 2001 audit report.

5. Contracts: The Division entered into a service contract for \$45,000. There was no competitive formal bid through the Department of Administrative Services–Materiel Division, there was no legal review of the contract, and the contract was not entered on the Nebraska Information System (NIS). In addition, there was a \$5,000 down payment made on a contract prior to receiving services.

6. Payroll Detail: There was a lack of documentation for a salary, required Federal forms (i.e. I-9 and W-4 forms) were not on file, and one payroll deduction was not correct. The Division did not record catastrophic donated leave properly in NIS for one terminated employee. In addition, the Division overpaid the individual \$248 for vacation leave and did not withhold retirement and taxes, in the amount of \$2,126, on the last paycheck.

7. Travel Expenses: We noted documents tested did not have meal receipts with detailed receipts or meal logs. Per diem rates were claimed instead of actual expenses for two employees for \$208 and \$200, a total of \$408. Mileage claimed was unreasonable; we calculated an excess of 211 miles. We also noted lodging expenses were not within the Federal General Services Administration (GSA) per diem guideline or the individuals were not over 60 miles from their workplace. Employee expense reimbursements were not properly completed and several documents and trips did not have adequate supporting documentation or were not approved by a supervisor.

8. Rental Payments: We noted the Division's rental space was not paid from the State Building Revolving Fund. Monthly rental payments were \$1,614, or \$19,368 annually.

9. Fixed Assets: We noted a physical inventory was not performed by the Division for fiscal year 2004. In addition, the six assets tested were not properly tagged or marked "Property of State of Nebraska."

10. Nebraska Information System and Accounting Procedures: Significant concerns or areas where improvement to NIS is needed to ensure NIS integrity and operation efficiency were identified.

The report in its entirety can be found on our website: www.auditors.state.ne.us.