ATTESTATION REPORT
OF THE
NEBRASKA EQUAL OPPORTUNITY COMMISSION

JULY 1, 2003 THROUGH JUNE 30, 2004

Issued on April 1, 2005

NEBRASKA EQUAL OPPORTUNITY COMMISSION

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BACKGROUND

The Nebraska Equal Opportunity Commission was created in 1965 and consists of seven members appointed by the Governor. The Commission enforces compliance with the Nebraska Fair Employment Act, Equal Pay Act of Nebraska, Civil Rights Act of 1969 relating to housing and public accommodations, and the Act Prohibiting Unjust Discrimination in Employment Because of Age.

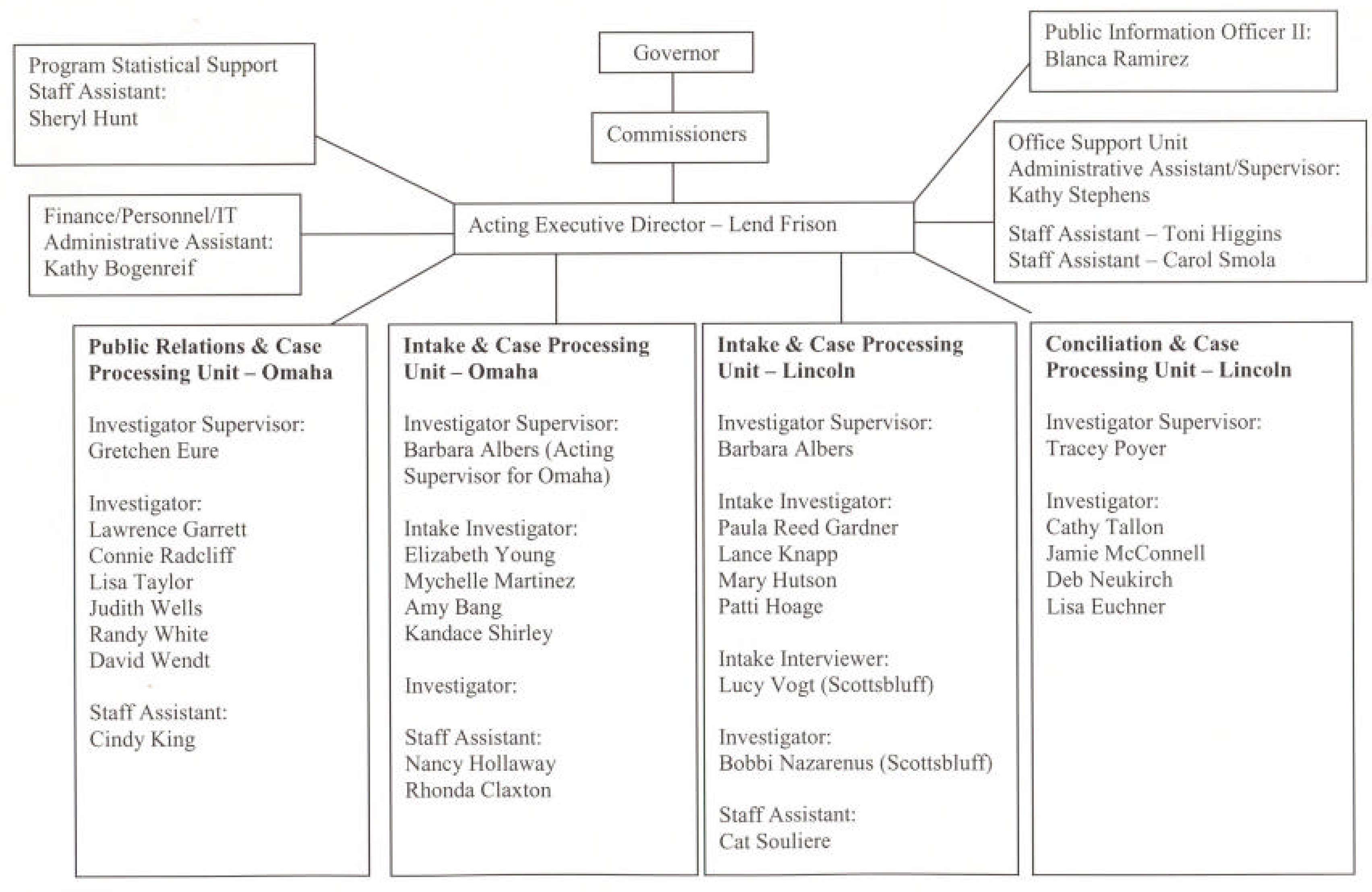
Pursuant to investigation by the staff of the Commission, the Commission rules on complaints of discrimination in employment, housing, and public accommodations. The Commission has offices in Lincoln, Omaha, and Scottsbluff.

MISSION STATEMENT

The mission of the agency is to receive, investigate, and make decisions on charges of unlawful employment, housing, and public accommodations practices occurring within the boundaries of the State of Nebraska. The agency principles include: 1) Dealing with all Nebraska citizens in a respectful and timely manner; 2) Recognizing that the government has a role to play in guaranteeing equal opportunity and treatment of all Nebraska citizens in the employment, housing, and public accommodations arenas; 3) Ensuring accurate and up-to-date information is disseminated to the public; and 4) Providing quality service to the public.

NEBRASKA EQUAL OPPORTUNITY COMMISSION

ORGANIZATIONAL CHART



EXIT CONFERENCE

An exit conference was held March 11, 2005 with the Commission to discuss the results of our examination. Those in attendance for the Nebraska Equal Opportunity Commission were:

NAME	TITLE
Bette T. Trumble	Commissioner
Kathleen Bogenreif	Administrative Assistant
Sheryl Hunt	Staff Assistant

SUMMARY OF COMMENTS

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

1. ***Internal Controls:*** We noted a general lack of internal controls over payroll processing, receipting, and capital asset functions in NIS.

2. ***Travel Expenses:*** We tested 21 expense reimbursement documents and noted two were not filed timely, one did not indicate the purposes of all travel, four contained unreasonable mileage reimbursements, six contained unreasonable meal expenses, two contained payments for valet parking, one lodging expense was over the Federal per diem rate and did not contain adequate documentation for lodging less than 60 miles from the headquarter city, and there was no support to indicate air travel between Scottsbluff and Lincoln or Omaha was more economical than surface transportation.

3. ***Allocation of Expenses:*** The Commission utilized the State General Fund and two Federal funds to account for the activity of the Commission. The Commission did not have adequate procedures to allocate expenditures, including payroll, to the proper fund.

4. ***Nebraska Information System and Accounting Procedures:*** The APA has identified concerns and areas where improvement to NIS is needed to ensure NIS integrity and operational efficiency.

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 Commission to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. All formal responses received have been incorporated into this report. Where no response has been included, the Commission 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.

COMMENTS AND RECOMMENDATIONS

1. Internal Controls

Good internal control requires an adequate segregation of duties to ensure no one individual is able to both perpetrate and conceal errors or irregularities.

We noted there was a general lack of internal controls as follows:

- One individual was capable of handling all phases of a payroll transaction. The Director signed the monthly payroll registers, but we were unable to determine the extent of the review of pay and hours worked since the Director had resigned. The individual who entered time worked and leave used and made changes to pay rates was also responsible for the monthly reconciliation of the time worked to the payroll register. The Director only reviewed the time entry and leave spreadsheets for two of twelve months, January and July. There is an increased risk for unauthorized changes in payroll or for leave to be incorrectly recorded without a proper segregation of duties.

- The Commission did not issue receipts or prepare a listing of money received to ensure it was properly deposited to NIS. After the mail was opened, the money was forwarded to an individual who was responsible for endorsing checks and preparing deposit documents in NIS. Therefore, there is no independent comparison of the monies actually received by the Commission to the amount deposited to NIS. Without an initial listing of monies received by the Commission there is an increased risk of loss or misuse of State funds.

- One individual was responsible for all functions of the capital assets process within NIS. The same individual was also responsible for completing the annual physical inventory. There was no independent verification that all capital assets purchased were added to the capital asset listing. There was no independent review of the NIS capital asset integrity reports.

Without an adequate segregation of duties, or controls to compensate for the lack of segregation of duties, there is an increased risk that errors could occur and remain undetected. There is also an increased risk of loss or theft of State and Federal funds and State assets.

> We recommend a documented, independent review of the pay rates, time worked, and leave used in NIS. We also recommend the Commission implement procedures to ensure receipts are properly accounted for and deposited to NIS. Finally, we recommend a documented, independent review of fixed asset integrity reports and for a person independent of the processing of capital asset transactions to assist with the annual physical inventory.

COMMENTS AND RECOMMENDATIONS
(Continued)

1. Internal Controls (Concluded)

Commission's Response:
Internal Controls - We will be setting up a procedure for one person to enter leave and a second person to review the final payroll register for accuracy. This will be documented by the initials, or signatures of both the preparer and the reviewer. The director reviews the gross salary paid to all staff each month.

Receipts - A procedure will be set up where the mail opener logs the incoming checks, the purpose of the check, the amount and lists their initials as the logger. The depositor will then note the date the check was deposited, and also lists their initials.

APA's Response: The "logger" should ensure the receipts they record are actually deposited into NIS.

Commission's Response, Concluded:
Capital Assets - During months when assets are added, or deleted integrity reports will be produced that the director or his assignee can review and sign off on. A second individual, besides the person who enters items into the capital assets inventory, will be assigned in each office to check the capital assets inventory at least once each year.

2. Travel Expenses

Neb. Rev. Stat. Section 81-1174 R.R.S. 1999, requires expense reimbursement requests to be submitted each month and be fully itemized, including when, where, and why the expense was incurred. 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. Air travel shall only be authorized when it is more economical than surface travel or will result in a substantial savings of expense or productive time.

The DAS Accounting Division policy generally requires an individual to be more than 60 miles from his or her workplace in order to be eligible for lodging. There are exceptions to this policy, but the reason must be clearly stated on the disbursement document.

Good internal control requires procedures to ensure payment for expenses are reasonable, necessary, and in accordance with State guidelines. The General Services Administration (GSA) Federal per diem breakdown rates can be used as a reasonable guideline for meal and lodging reimbursements.

COMMENTS AND RECOMMENDATIONS
(Continued)

2. Travel Expenses (Continued)

We tested 21 documents related to the Commission travel expenses and noted the following:

- Two of ten expense reimbursement documents tested were not submitted monthly as required by statute. One document was submitted in October 2003 and included expenses from August, September, and October 2003. The other document was submitted in November 2003 and included expenses from September, October, and November 2003. This was also noted in the prior audit.

- One of ten expense reimbursement documents tested did not include the purpose of the travel on 4 of 18 days.

- Four of nine mileage reimbursement documents tested were not reasonable or did not contain adequate documentation to support the mileage requested. There was no documentation to support 135 local miles driven by one employee. Excessive miles were claimed for reimbursement ranging from 12 to 29 miles. A State-owned vehicle also had unreasonable mileage incurred. An additional 53 miles were recorded in excess of the actual miles for one trip in the State vehicle.

- Commissioners and Commission staff flew between Scottsbluff, Nebraska and Lincoln and Omaha, Nebraska without documentation to indicate the air travel was more economical than surface transportation or resulted in substantial savings of expense or productive time. There were at least five days in which individuals traveled between Scottsbluff and Lincoln or Omaha. We noted additional costs to the State for this travel ranging from $241 to $1,740.

- Six of eight expense reimbursement documents tested contained meals that were unreasonable. All meals exceeded the per meal breakdown per the GSA Federal per diem guidelines. Two lunches for $20 and $28 were reimbursed. Eight dinners were reimbursed that exceeded the Federal per diem guideline for dinner for the location of the travel. The dinner expenses ranged from $23 to $47. One individual was reimbursed for meals although they should not have been considered in travel status based on the times indicated on the reimbursement request. The total of these meals was $23. Finally, one individual was reimbursed for a breakfast, when breakfast was provided by the conference.

- Two of nine expense reimbursement documents tested included payment for valet parking and tips which is unreasonable and unnecessary. The reimbursements for valet parking and tips were $118 and $13.

COMMENTS AND RECOMMENDATIONS
(Continued)

2. Travel Expenses (Concluded)

- One of ten expense reimbursement documents included payment for lodging that was over the Federal per diem guideline and did not contain adequate documentation to support the expense. A Commissioner from Lincoln received lodging in Omaha that was in excess of the Federal per diem guideline. The Federal per diem lodging guideline in Nebraska was $63 per night. The lodging expense was for $73 for night. The request for reimbursement also did not indicate the need for the lodging less than 60 miles from the headquarter city.

Without adequate procedures to ensure compliance with State statute and accounting policies, there is an increased risk for lose or misuse of State funds. There is also an increased risk for misuse of State funds without procedures to ensure requests for reimbursement of expenses are reasonable.

> We recommend the Commission implement procedures to ensure travel expenses are reasonable and in accordance with State statute and State accounting policies.

Commission's Response: The Commission will be issuing some revised expense guidelines to staff which will utilize the federal government guidelines for meal breakdowns, and will also make every effort to stay within the government guidelines for the lodging costs. Staff will also be reminded to better document the purpose of their travel, and to note in detail why there may be exceptions. They will also be asked to note on the gold copy of the state vehicle rental receipts the purpose of their travel, such as case numbers. The Commission will work on utilizing the most economical travel to our Scottsbluff office, or will indicate in detail why a more expensive method of travel was necessary.

3. Allocation of Expenses

Good internal control and sound accounting practice requires a reasonable allocation of expenses to each fund. Sound business practice also requires agencies to maintain a reasonable amount of funds on hand.

The Commission utilized the State General Fund and two Federal funds to account for the activity of the Commission. The Commission did not have adequate procedures to allocate expenditures, including payroll, to the proper fund. Commission staff indicated expenses were generally paid from the fund that had the highest fund balance at the time of payment. Each employee of the Commission is only paid from one of the three funds. When the employee is hired, the fund with the largest balance is generally used to pay the employees payroll expenses. There were 41 employees of the Commission noted on NIS for the fiscal year. There were 20 paid from the State General Fund, 16 paid from the Federal EEOC Fund, and 5 paid from the Federal HUD Fund.

COMMENTS AND RECOMMENDATIONS
(Continued)

3. Allocation of Expenses (Concluded)

The Commission spent $1,042,854, including $835,364 for personal services, from the State General Fund in fiscal year 2004. The Commission spent $601,204, including $582,525 for personal services, from the Federal EEOC Fund in fiscal year 2004. The EEOC fund balance at June 30, 2004 was $482,162. This fund has enough to cover 9 ½ months of expenditures. The Commission spent $495,742, including $122,614 in personal services, from the Federal HUD Fund in fiscal year 2004. The HUD fund balance at June 30, 2004 was $507,020. This fund has enough to cover approximately 12 months of expenditures.

Without reasonable methods to allocate expenses, there is an increased risk that more State General Funds will be used than actually necessary.

> We recommend the Commission implement a reasonable method to allocate expenditures between funds.

Commission's Response: The funding of our positions, except for a couple of minor changes, has been the same for years. Most positions have been funded according to the methods mandated by the legislature at the time the position was added to the agency. The travel expenses of each employee are charged against the fund that employee is paid from, unless they can be specifically attributed to another fund source. Such as expenses paid to attend the HUD Academy training is charged to HUD funding because they provide funding for this purpose in the grant.

It's true when the legislature forced the agency to participate in a fund switch, using federal funds in lieu of general funds, during the years when resources were tight, that we did not devise a specific method to allocate operating expenses between these funds. However, this involved operating expenses primarily. Only the funding for one position was changed to federal funds, from general funding.

Now with a reduction in federal funding, this forced fund switch has had a negative impact on the agency's ability to maintain all of our federally funded positions for the future.

COMMENTS AND RECOMMENDATIONS
(Continued)

4. 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

COMMENTS AND RECOMMENDATIONS
(Continued)

4. Nebraska Information System and Accounting Procedures (Continued)

the variance amounts. The latest monthly reconciliation performed, February 2004, indicates an 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.

COMMENTS AND RECOMMENDATIONS
(Continued)

4. <u>Nebraska Information System and Accounting Procedures</u> (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. 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.

COMMENTS AND RECOMMENDATIONS
(Continued)

4. 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 of 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.

COMMENTS AND RECOMMENDATIONS
(Continued)

4. 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.

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NEBRASKA EQUAL OPPORTUNITY COMMISSION

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Equal Opportunity Commission
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Equal Opportunity Commission (Commission) for the fiscal year ended June 30, 2004. The Commission's management is responsible for the schedule of revenues, expenditures, and changes in fund balances. Our responsibility is to express an opinion based on our examination.

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 Equal Opportunity Commission 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.

In accordance with *Government Auditing Standards,* we have also issued our report dated March 11, 2005, on our consideration of the Nebraska Equal Opportunity Commission'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 Commission 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

March 11, 2005 Assistant Deputy Auditor

NEBRASKA EQUAL OPPORTUNITY COMMISSION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Fiscal Year Ended June 30, 2004

	State General Fund 10000	Equal Employment Opportunity Grant Fund 46730	Housing and Urban Development Grant Fund 46740	**Total (Memorandum Only)**
REVENUES:				
Appropriations	$ 1,042,854	$ -	$ -	$ 1,042,854
Intergovernmental	-	390,850	340,908	731,758
Sales & Charges	497	-	38	535
Miscellaneous	267	19,239	22,367	41,873
TOTAL REVENUES	1,043,618	410,089	363,313	1,817,020
EXPENDITURES:				
Personal Services	835,364	582,525	122,614	1,540,503
Operating	189,617	10,202	319,719	519,538
Travel	17,873	8,477	53,009	79,359
Capital Outlay	-	-	400	400
TOTAL EXPENDITURES	1,042,854	601,204	495,742	2,139,800
Excess (Deficiency) of Revenues Over (Under) Expenditures	764	(191,115)	(132,429)	(322,780)
OTHER FINANCING SOURCES (USES):				
Sales of Assets	355	-	-	355
Deposit to General Fund	(1,119)	-	-	(1,119)
TOTAL OTHER FINANCING SOURCES (USES)	(764)	-	-	(764)
Net Change in Fund Balances	-	(191,115)	(132,429)	(323,544)
FUND BALANCES, JULY 1, 2003	2,307	673,277	639,449	1,315,033
FUND BALANCES, JUNE 30, 2004	$ 2,307	$ 482,162	$ 507,020	$ 991,489
FUND BALANCES CONSIST OF:				
General Cash	$ -	$ 254,412	$ 506,952	$ 761,364
Deposits with Vendors	2,307	-	-	2,307
Accounts Receivable Invoiced	-	227,750	-	227,750
Due to Vendors	-	-	68	68
TOTAL FUND BALANCES	$ 2,307	$ 482,162	$ 507,020	$ 991,489

The accompanying notes are an integral part of the schedule.

NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2004

1. Criteria

The accounting policies of the Nebraska Equal Opportunity Commission 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 Commission was obtained directly from the NIS. NIS records accounts receivable and accounts payable as transactions occur. As such certain revenues are recorded when earned and expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows. The accounts payable liability recorded on NIS, and thus recorded as expenditures, as of June 30, 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 NIS system does not include liabilities for accrued payroll and compensated absences.

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

> **10000 – General Fund –** accounts for all financial resources not required to be accounted for in another fund.
>
> **40000 – Federal Funds –** account for all federal grants and contracts received by the State. Expenditures must be made in accordance with applicable federal requirements.

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

> **Appropriations –** Appropriations are granted by the Legislature to make expenditures and to incur obligations. The amount of appropriations reported as revenue is the amount of expenditures.
>
> **Intergovernmental –** Revenue from other governments in the form of grants, entitlements, shared revenues, payments in lieu of taxes, or reimbursements.

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 Commission are:

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

Operating – Expenditures directly related to a program's primary service activities.

Travel – All travel expenses for any state officer, employee, or member of any commission, council, committee, or board of the State.

Capital Outlay – Expenditures which result in the acquisition of or an addition to capital assets. Capital assets are resources of a long-term character, owned or held by the government.

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

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

2. State Agency

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

NOTES TO THE SCHEDULE
(Continued)

2. State Agency (Concluded)

The Nebraska Equal Opportunity Commission 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 Commission'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, equipment that has a cost of $1,000 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 Commission for the fiscal year ended June 30, 2004 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets				
Equipment	$ 228,822	$ 400	$ -	$ 229,222
Less accumulated depreciation for:				
Equipment				199,516
Total capital assets, net of depreciation				$ 29,706

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NEBRASKA EQUAL OPPORTUNITY COMMISSION

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*

Nebraska Equal Opportunity Commission
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Equal Opportunity Commission for the fiscal year ended June 30, 2004, and have issued our report thereon dated March 11, 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.

Internal Control Over Financial Reporting

In planning and performing our examination, we considered the Nebraska Equal Opportunity Commission'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 Equal Opportunity Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedule. Reportable conditions are described in the Comments Section of the report as Comment Number 1 (Internal Controls) and Comment Number 4 (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 none of the reportable conditions described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nebraska Equal Opportunity Commission'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 noted certain additional items that we reported to management of the Nebraska Equal Opportunity Commission in the Comments Section of this report as Comment Number 2 (Travel Expenses) and Comment Number 3 (Allocation of Expenses).

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

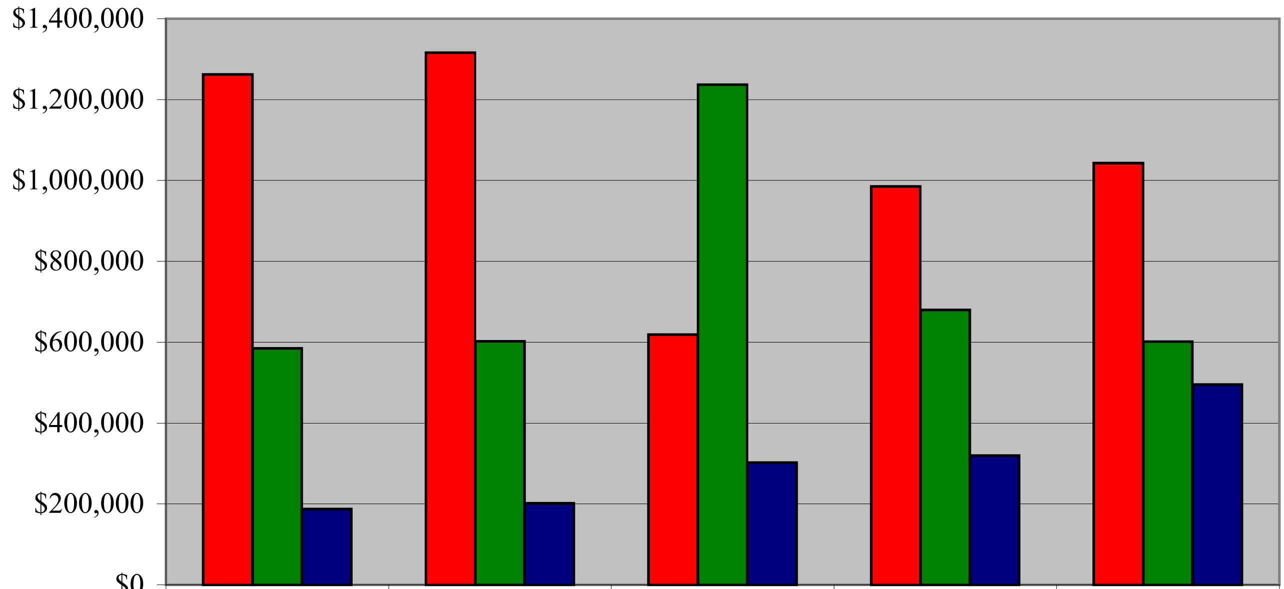
Pat Reding, CPA

March 11, 2005 Assistant Deputy Auditor

STATISTICAL SECTION

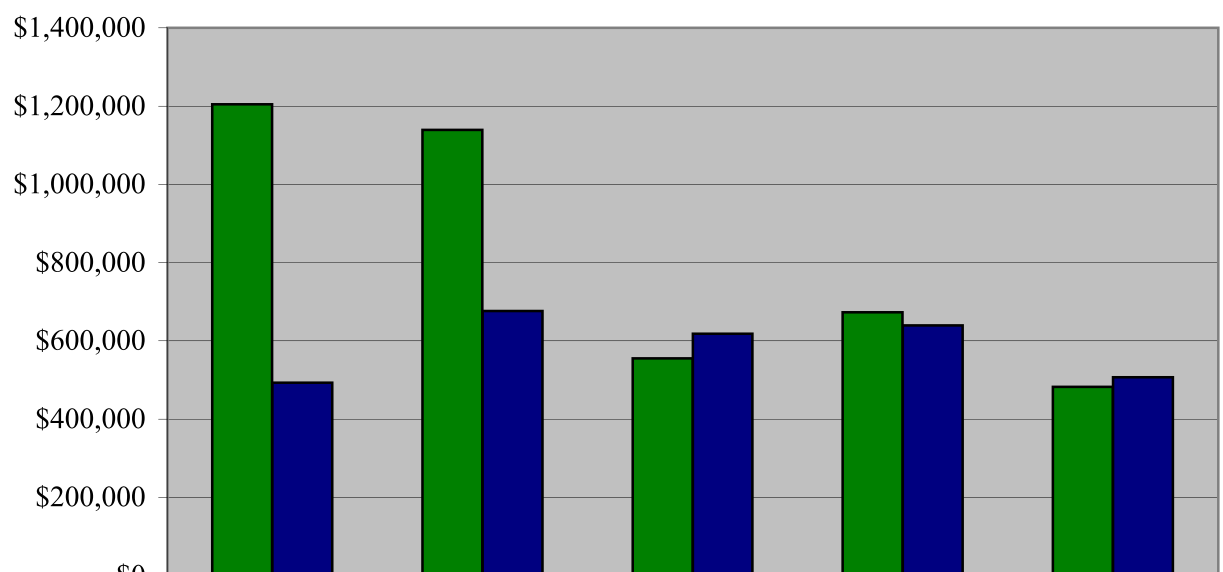
Our examination was conducted for the purpose of forming an opinion on the schedule of revenues, expenditures, and changes in fund balances. Statistical Section information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination of the schedule of revenues, expenditures, and changes in fund balances, and, accordingly, we express no opinion on it.

EXPENDITURES BY FUND
Fiscal Years 2000 through 2004



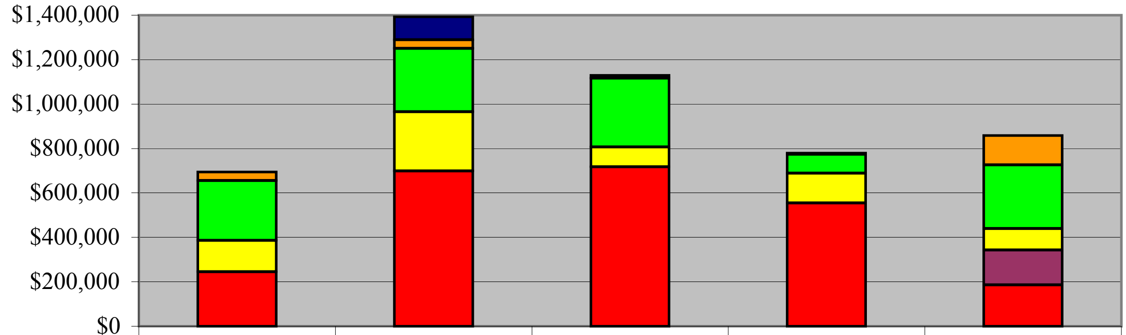
	2000	2001	2002	2003	2004
General Fund	$1,262,203	$1,316,466	$618,582	$985,169	$1,042,854
EEOC Fund	$584,921	$602,202	$1,236,618	$679,610	$601,204
HUD Fund	$187,213	$202,114	$302,126	$319,650	$495,742

FUND BALANCES
For the Fiscal Years Ended June 30, 2000 through 2004



	2000	2001	2002	2003	2004
EEOC Fund 46730	$1,204,799	$1,139,096	$555,424	$673,277	$482,162
HUD Fund 46740	$493,343	$676,187	$617,874	$639,449	$507,020

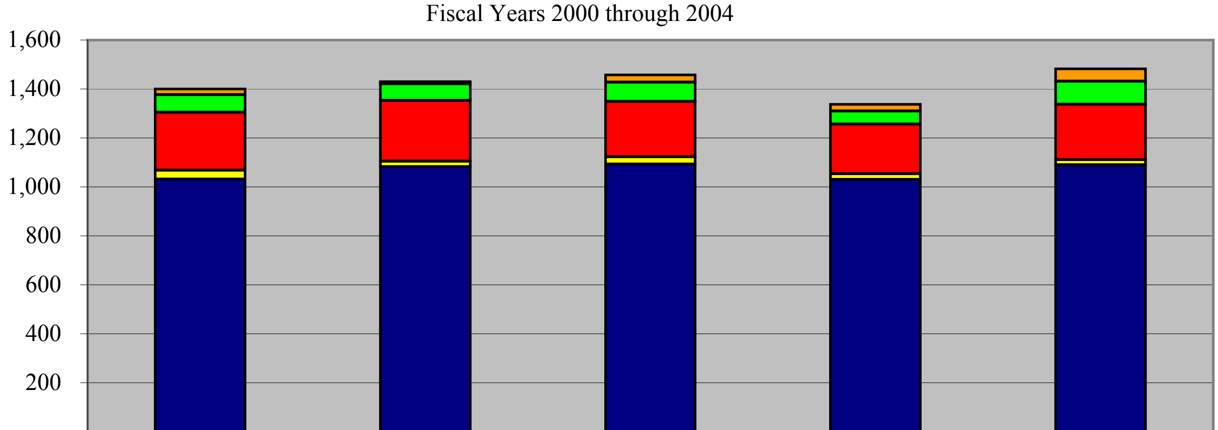
TOTAL MONETARY RELIEF OBTAINED
Fiscal Years 2000 through 2004



	2000	2001	2002	2003	2004
Litigation	$-	$102,980	$-	$6,130	$-
Public Hearing	$38,235	$38,500	$13,656	$-	$132,392
Conciliations	$269,420	$285,799	$309,859	$84,900	$286,403
Withdrawals with Settlement	$141,446	$266,062	$89,300	$134,538	$97,516
Mediation *	$-	$-	$-	$-	$155,733
Pre-Determination Settlements	$245,105	$698,936	$716,645	$554,011	$186,508

*** Mediation amounts were accounted for in Pre-Determination Settlements until 2004.**
**** Monetary relief obtained is not represented in the Financial Statement, money goes to the complainant from the respondant and is not deposited with NEOC.**

CASE ACTIVITY BREAKDOWN
Fiscal Years 2000 through 2004



	2000	2001	2002	2003	2004
PUBLIC ACC.	24	9	29	27	52
HOUSING	72	68	79	54	94
AGE	236	249	226	203	226
EQ PAY	37	21	30	23	21
FEPA	1031	1083	1093	1030	1090

Public Acc. - Nebraska Civil Rights Act of 1969 (Public Accommodations)
Housing - Nebraska Fair Housing Act
Age - Act Prohibiting Unjust Discrimination in Employment Because of Age
EQ Pay - Equal Pay Act of Nebraska
FEPA - Fair Employment Practice Act

Note: Source for both graphs - NEOC annual report.