

**ATTESTATION REPORT
OF THE
STATE OF NEBRASKA
OFFICE OF THE LIEUTENANT GOVERNOR**

**JULY 1, 2003 THROUGH JUNE 30, 2004
AND FOR THE PERIOD JULY 1, 2004
THROUGH JANUARY 20, 2005**

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Issued on March 14, 2005

STATE OF NEBRASKA
OFFICE OF THE LIEUTENANT GOVERNOR

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STATE OF NEBRASKA
OFFICE OF THE LIEUTENANT GOVERNOR

BACKGROUND

The Constitution of 1875 made the first provisions for a Lieutenant Governor. Since a Constitutional Amendment in 1974, the Lieutenant Governor has served in a full-time capacity.

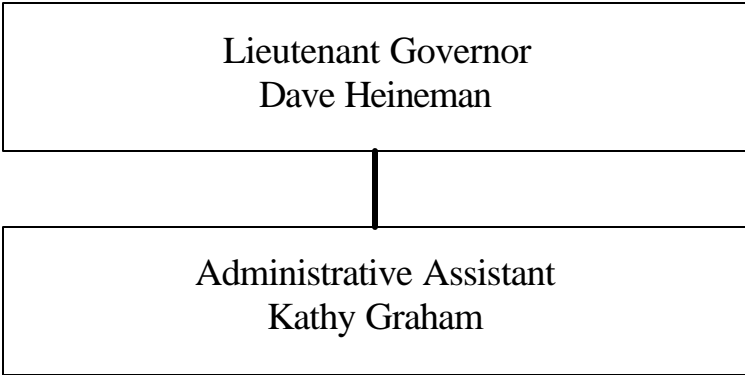
The duties of the Lieutenant Governor include serving on various boards and commissions, as directed by the Governor, acting as Governor during the Governor's absence from the State, serving as presiding officer of the Legislature, and performing other duties as assigned by the Governor.

David Heineman was appointed Lieutenant Governor in 2001 and was elected in 2002.

In addition to the Lieutenant Governor, an administrative assistant was employed to carry out the duties of the Office.

STATE OF NEBRASKA
OFFICE OF THE LIEUTENANT GOVERNOR

ORGANIZATIONAL CHART



STATE OF NEBRASKA
OFFICE OF THE LIEUTENANT GOVERNOR

EXIT CONFERENCE

An exit conference was held February 16, 2005 with the Lieutenant Governor to discuss the results of our examination. Those in attendance for the State of Nebraska Office of the Lieutenant Governor were:

NAME	TITLE
Larry Bare	Governor's Chief of Staff
Betty Hladky	Business Manager, DAS-Budget
Cherri Carpenter	Administrative Assistant, Governor
Diane Van Deun	Personnel Assistant, DAS-Personnel
Mike Carroll	Personnel Administrator I, DAS-Personnel
Lauren Hill	Director, Policy Research Office & Energy Office

STATE OF NEBRASKA
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SUMMARY OF COMMENTS

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

1. ***Lack of Segregation of Duties Over Expenditures:*** One employee was authorized in NIS Batch Management to prepare, approve, and post their own documents.
2. ***Payroll:*** One employee tested did not complete a timesheet or document hours worked.
3. ***Nebraska Information System and Accounting Procedures:*** Significant areas of concern where improvements to the Nebraska Information System (NIS) is needed to ensure NIS integrity and operational efficiency were identified.

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 Office 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 Office 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.

STATE OF NEBRASKA
OFFICE OF THE LIEUTENANT GOVERNOR

COMMENTS AND RECOMMENDATIONS

1. Lack of Segregation of Duties Over Expenditures

Good internal control requires a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records. A good system of internal control would include an adequate segregation of duties so no one individual is able to handle all phases of a transaction from beginning to end.

We noted one individual was authorized in NIS Batch Management to prepare, approve, and post their own documents.

Without adequate controls over expenditures, there is an increased risk of loss or theft of State funds.

We recommend the Office review batch management authorizations so no one individual is set up to prepare, approve, and post their own documents or implement compensating controls.

Office's Response: While an individual is authorized in NIS Batch Management to prepare, approve, and post her own documents for the Lt. Governor's Office, that individual does not prepare, approve and post. With the limited staff available in the DAS-Budget Division, the following is the process followed in the payment process for the Lt. Governor's Office:

- *The Lt. Governor approves the payment of all bills with his signature and date either on the actual bill or the NIS document;*
- *The Business Manager, DAS Budget Division, prepares the payment of documents in the NIS;*
- *The DAS Accounting Division pre-audits and approves all other payment documents. Therefore, every transaction is reviewed by the DAS-Accounting Division;*
- *The Business Manager, DAS Budget Division, posts the document and files.*

The Lt. Governor's office believes it satisfies the payment approval requirements and that it has a procedure that incorporates review and approval of documents that comprise good internal controls.

APA's Response: While it may not be the normal process for an individual to prepare, approve, and post their own documents, this individual does have the capability to circumvent procedures. There are no control procedures in place to compensate for, or to detect, this possibility. Therefore, there is an increased risk for fraud or errors to occur.

STATE OF NEBRASKA
OFFICE OF THE LIEUTENANT GOVERNOR

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Payroll

Neb. Rev. Stat. Section 84-1001(1) 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 . . .” Good internal control requires completed timesheets for all employees. The timesheet should include an accurate recording of hours worked as well as leave used.

We noted one individual did not complete a timesheet or document hours worked.

As a result of not recording hours worked, there is no documentation to show the required 40 hours of work was rendered each week.

We recommend the Office document compliance with statute for all employees who earn leave. Exempt employees may choose to include a note on the documentation that indicates the employee worked or was on approved leave at least 40 hours each week. The documentation should be signed by the employee, approved by their supervisor, and kept on file for future review.

Office’s Response: None of the Lt. Governor’s office staff maintain timesheets as there is no legal requirement to do so. There is no plan to change this practice.

3. 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.

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COMMENTS AND RECOMMENDATIONS
(Continued)

3. Nebraska Information System and Accounting Procedures (Continued)

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 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

STATE OF NEBRASKA
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COMMENTS AND RECOMMENDATIONS

(Continued)

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

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.
- 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.

STATE OF NEBRASKA
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COMMENTS AND RECOMMENDATIONS
(Continued)

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

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.
- 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:

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COMMENTS AND RECOMMENDATIONS
(Continued)

3. Nebraska Information System and Accounting Procedures (Concluded)

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.

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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STATE OF NEBRASKA OFFICE OF THE LIEUTENANT GOVERNOR

INDEPENDENT ACCOUNTANT'S REPORT

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Lieutenant Governor
Lincoln, Nebraska

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We have examined the accompanying schedules of revenues, expenditures, and changes in fund balances of the State of Nebraska Office of the Lieutenant Governor (Office) for the fiscal year ended June 30, 2004, and for the period July 1, 2004, through January 20, 2005. The Office'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
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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 schedules referred to above present, in all material respects, the revenues, expenditures, and changes in fund balances of the State of Nebraska Office of the Lieutenant Governor for the fiscal year ended June 30, 2004, and for the period July 1, 2004, through January 20, 2005, 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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Mark Avery, CPA
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In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2005, on our consideration of the State of Nebraska Office of the Lieutenant Governor'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 Office 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

February 16, 2005

STATE OF NEBRASKA
OFFICE OF THE LIEUTENANT GOVERNOR
**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**
For the Fiscal Year Ended June 30, 2004

	General Fund 10000
REVENUES:	
Appropriations	\$ 105,725
TOTAL REVENUES	105,725
EXPENDITURES:	
Personal Services	96,450
Operating	6,358
Travel	2,867
Capital Outlay	50
TOTAL EXPENDITURES	105,725
Net Change in Fund Balance	-
FUND BALANCE, JULY 1, 2003	46
FUND BALANCE, JUNE 30, 2004	\$ 46
FUND BALANCE CONSISTS OF:	
Deposits with Vendors	\$ 46
TOTAL FUND BALANCE	\$ 46

The accompanying notes are an integral part of the schedule.

STATE OF NEBRASKA
OFFICE OF THE LIEUTENANT GOVERNOR
**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**
For the Period July 1, 2004 Through January 20, 2005

	General Fund 10000
REVENUES:	
Appropriations	\$ 57,238
TOTAL REVENUES	57,238
EXPENDITURES:	
Personal Services	50,434
Operating	3,687
Travel	3,117
TOTAL EXPENDITURES	57,238
Net Change in Fund Balance	-
FUND BALANCE, JULY 1, 2004	46
FUND BALANCE, JANUARY 20, 2005	\$ 46
FUND BALANCE CONSISTS OF:	
Deposits with Vendors	\$ 46
TOTAL FUND BALANCE	\$ 46

The accompanying notes are an integral part of the schedule.

STATE OF NEBRASKA
OFFICE OF THE LIEUTENANT GOVERNOR

NOTES TO THE SCHEDULES

For the Fiscal Year Ended June 30, 2004
And for the Period July 1, 2004 Through January 20, 2005

1. Criteria

The accounting policies of the Office of the Lieutenant Governor 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 Office 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 and as of January 20, 2005 includes only those payables posted to NIS before June 30, 2004 and not yet paid as of that date. The amounts recorded as expenditures as of June 30, 2004 **do 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 amounts recorded as expenditures as of January 20, 2005, do not include amounts for goods and services received before January 20, 2005, which had not been posted to NIS as of January 20, 2005.

The Office had no accounts receivable at June 30, 2004 or at January 20, 2005. The NIS system does not include liabilities for accrued payroll and compensated absences.

The fund type established by NIS that is used by the Office is:

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

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

STATE OF NEBRASKA
OFFICE OF THE LIEUTENANT GOVERNOR

NOTES TO THE SCHEDULES

(Continued)

1. Criteria (Concluded)

The major expenditure object account titles established by NIS used by the Office are:

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

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 Office 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 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. The activity of these accounts are not recorded on the Schedules of Revenues, Expenditures, and Changes in Fund Balances as they are not recorded through revenue and expenditure accounts.

2. State Agency

The Office of the Lieutenant Governor (Office) is a State agency established under and governed by the laws of the State of Nebraska. As such, the Office is exempt from State and Federal income taxes. The schedules include all funds of the Office.

The Office of the Lieutenant Governor 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.

STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS



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STATE OF NEBRASKA
OFFICE OF THE LIEUTENANT GOVERNOR
**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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We have examined the accompanying schedules of revenues, expenditures, and changes in fund balances of the Office of the Lieutenant Governor for the fiscal year ended June 30, 2004 and for the period July 1, 2004, through January 20, 2005, and have issued our report thereon dated February 16, 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.

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Internal Control Over Financial Reporting

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In planning and performing our examination, we considered the Office of the Lieutenant Governor's internal control over financial reporting in order to determine our procedures for the purpose of expressing our opinion on the schedules 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 Office of the Lieutenant Governor's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedules. Reportable conditions are described in the Comments Section of the report as Comment Number 1 (Lack of Segregation of Duties Over Expenditures) and Comment Number 3 (Nebraska Information System and Accounting Procedures).

Mark Avery, CPA
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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, of the reportable conditions described above, we consider Comment Number 1 (Lack of Segregation of Duties Over Expenditures) to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Office of the Lieutenant Governor's schedules 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 Office of the Lieutenant Governor in the Comments Section of this report as Comment Number 2 (Payroll).

This report is intended solely for the information and use of the Office 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

February 16, 2005

STATE OF NEBRASKA
OFFICE OF THE LIEUTENANT GOVERNOR

STATISTICAL SECTION

Our examination was conducted for the purpose of forming an opinion on the schedules 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 schedules of revenues, expenditures, and changes in fund balances, and, accordingly, we express no opinion on it.

STATE OF NEBRASKA
OFFICE OF THE LIEUTENANT GOVERNOR
SCHEDULE OF EXPENDITURES
For the Fiscal Years Ended June 30, 2000 Through June 30, 2004

