

**ATTESTATION REPORT
OF THE
NEBRASKA COMMISSION ON PUBLIC ADVOCACY**

JULY 1, 2003 THROUGH JUNE 30, 2004

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the Auditor of Public Accounts.**

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Issued on February 3, 2005

NEBRASKA COMMISSION ON PUBLIC ADVOCACY

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NEBRASKA COMMISSION ON PUBLIC ADVOCACY

BACKGROUND

The Nebraska Commission on Public Advocacy (Commission) was created in 1995 to provide property tax relief to counties in their representation of indigent defendants who are charged with first-degree murder and serious violent or drug-related felonies, including juvenile cases at trial and on direct appeal. The Commission also provides legal assistance to public defenders and court-appointed attorneys. This provides property tax relief because counties pay nothing for such legal services and associated costs.

The Commission consists of nine members appointed by the Governor from a list of attorneys submitted by the Executive Council of the Nebraska State Bar Association after consultation with the Board of Directors of the Nebraska Criminal Defense Attorneys Association. A member is appointed from each of the six State Supreme Court districts and three members are appointed at large. Members must belong to the Nebraska State Bar Association and have substantial experience in criminal defense work. Commission members may not be prosecutors, law enforcement officials, or judges during their terms of office. Members serve six year terms. The Governor designates the chairperson of the Commission. Members are reimbursed for expenses.

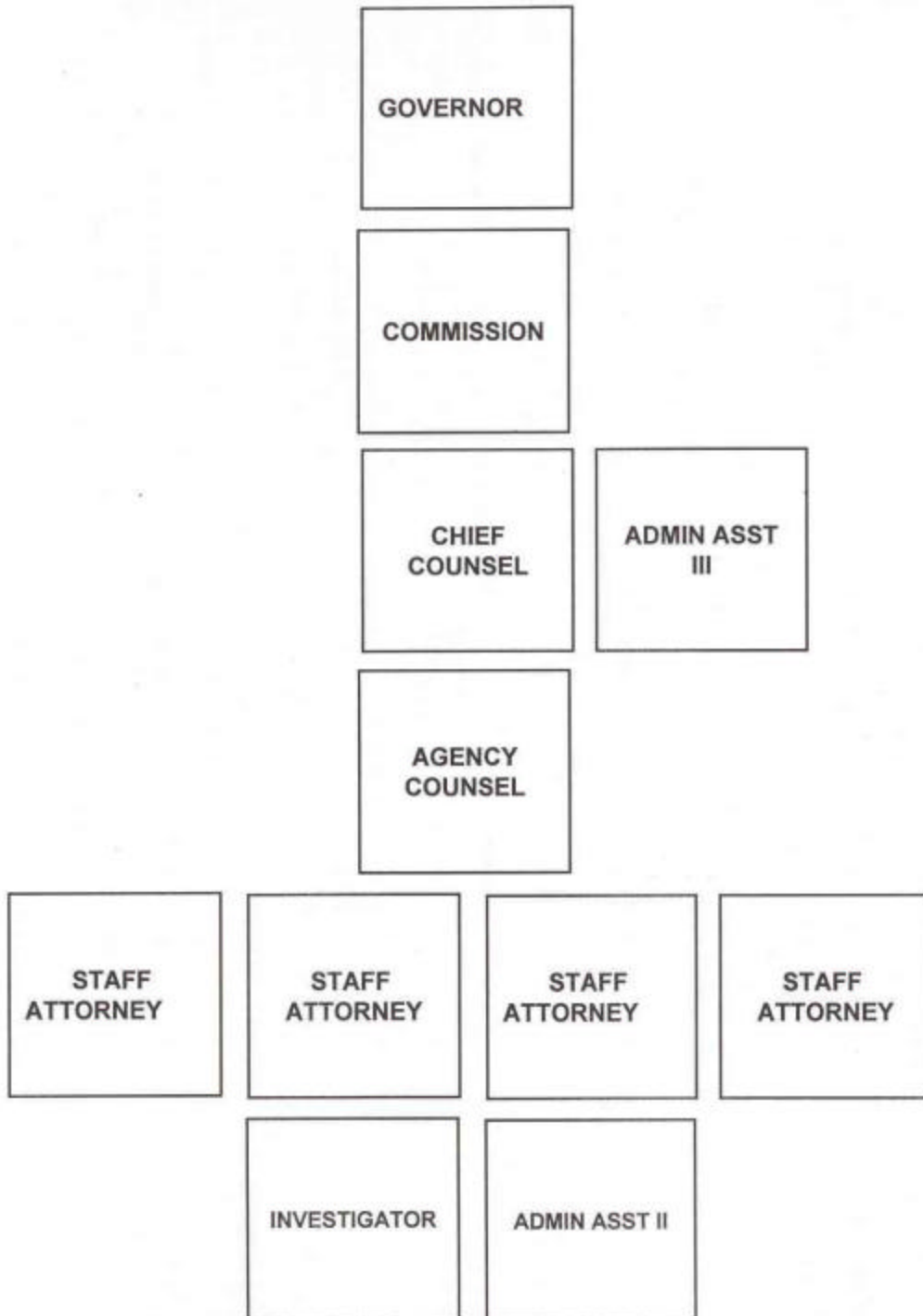
The Commission appoints a chief counsel to supervise the divisions of the Commission. These divisions are the capital litigation division, which helps in the defense of Nebraska capital cases; the violent crime and drug defense division, which helps in the defense of such cases; the appellate division, which prosecutes appeals to the State Court of Appeals and Supreme Court; the DNA testing division, which helps in representation in such cases and to pay for DNA testing; and the major case resource center, which assists public defenders, contracting attorneys, or court appointed attorneys with the defense of a felony offense. The chief counsel also manages the Legal Aid and Services Fund.

MISSION STATEMENT

The mission of the Commission is to assist Nebraska counties in providing indigent defense services, which are mandated by the State and Federal constitutions and State laws establishing crime and penalties, and to assist indigent citizens who are in need of civil legal services and cannot afford to hire an attorney. Its mission also includes reimbursing qualifying counties for adherence to indigent defense standards and to represent qualifying indigent prisoners under the DNA Testing Act, both efforts which have been affected by funding cuts. The Commission also assists indigent citizens who are in need of civil legal services and cannot afford to hire an attorney.

NEBRASKA COMMISSION ON PUBLIC ADVOCACY

ORGANIZATIONAL CHART



NEBRASKA COMMISSION ON PUBLIC ADVOCACY

EXIT CONFERENCE

An exit conference was held January 19, 2005 with the Commission to discuss the results of our examination. Those in attendance for the Nebraska Commission on Public Advocacy were:

NAME	TITLE
James Mowbray	Chief Council
Rita Wesely	Administrative Assistant/Fiscal Officer

NEBRASKA COMMISSION ON PUBLIC ADVOCACY

SUMMARY OF COMMENTS

During our examination of the Nebraska Commission on Public Advocacy, 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 concerns or areas where improvement to the Nebraska Information System (NIS) is needed to ensure NIS integrity and operation efficiency were identified.
2. ***Travel Expense Reimbursements:*** We noted three of four travel reimbursements tested did not have itemized receipts for all meals.

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. The Commission declined to respond.

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

NEBRASKA COMMISSION ON PUBLIC ADVOCACY

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

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 COMMISSION ON PUBLIC ADVOCACY

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. 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)

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.

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. Travel Expense Reimbursements

Neb. Rev. Stat. Section 81-1174 R.S.Supp., 2003 states, "Each request shall be fully itemized, including when, where, and why the expense was incurred and the actual amount involved." Nebraska State Accounting Manual AM-005, Travel Expense Policies, states, "Under our accountable plan, the Internal Revenue Service requires employees to substantiate the cost for travel, lodging, meals, and other expenses. Adequate accounting generally requires the use of a documentation record such as an accounting book, expense diary or log, or similar record near the time of incurrence of the expense. Such log should list the date, amount, place (e.g. city) or description, and purpose for **each** expense or meal/food cost. A combination of receipts and detailed itemization is permitted."

We noted three of four travel reimbursements tested did not have itemized receipts for all meals. Two reimbursements did not have any meal receipts or logs and one reimbursement had meal receipts except for one meal. None of the reimbursements exceeded the Federal guidelines for meal reimbursement.

Without an adequate accounting of meal expenses from the employee to the employer, the State could lose its accountable plan status. If the State does not have an accountable plan, the amounts reimbursed to employees for meal expenses would be considered as taxable income.

We recommend the Commission implement procedures to ensure provisions of the State's accountable plan are met.

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NEBRASKA COMMISSION ON PUBLIC ADVOCACY

INDEPENDENT ACCOUNTANT'S REPORT

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We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Commission on Public Advocacy (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.

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Tim Channer, 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.

Mary Avery
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Dennis Meyer, CGFM
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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 Commission on Public Advocacy 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.

Mark Avery, CPA
Subdivision Audit
Review Coordinator
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In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2005, on our consideration of the Nebraska Commission on Public Advocacy'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

Assistant Deputy Auditor

January 19, 2005

NEBRASKA COMMISSION ON PUBLIC ADVOCACY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2004

	Operations Cash Fund 29410	Legal Aid and Services Fund 29420	Bryne Grant Fund 49410	Total (Memorandum Only)
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 79,140	\$ 79,140
Sales & Charges	931,085	1,693,654	-	2,624,739
Miscellaneous	15,193	3,984	(497)	18,680
TOTAL REVENUES	946,278	1,697,638	78,643	2,722,559
EXPENDITURES:				
Personal Services	578,945	-	109,246	688,191
Operating	148,185	-	1,815	150,000
Travel	23,500	-	3,952	27,452
Capital Outlay	8,875	-	-	8,875
Government Aid	-	1,772,588	-	1,772,588
TOTAL EXPENDITURES	759,505	1,772,588	115,013	2,647,106
Excess (Deficiency) of Revenues Over (Under) Expenditures	186,773	(74,950)	(36,370)	75,453
OTHER FINANCING SOURCES (USES):				
Sales of Assets	895	-	-	895
Net Change in Fund Balances	187,668	(74,950)	(36,370)	76,348
FUND BALANCES, JULY 1, 2003	272,676	82,785	36,370	391,831
FUND BALANCES, JUNE 30, 2004	<u>\$ 460,344</u>	<u>\$ 7,835</u>	<u>\$ -</u>	<u>\$ 468,179</u>
FUND BALANCES CONSIST OF:				
General Cash	\$ 460,344	\$ 7,835	\$ -	\$ 468,179
TOTAL FUND BALANCES	<u>\$ 460,344</u>	<u>\$ 7,835</u>	<u>\$ -</u>	<u>\$ 468,179</u>

The accompanying notes are an integral part of the schedule.

NEBRASKA COMMISSION ON PUBLIC ADVOCACY

NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2004

1. Criteria

The accounting policies of the Nebraska Commission on Public Advocacy 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 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 Commission are:

20000 – Cash Funds – account for revenues generated by specific activities from sources outside of State government and the expenditures directly related to the generation of the revenues. Cash funds are established by State statutes and must be used in accordance with those statutes.

40000 – Federal Funds – account for all federal grants and contracts received by the State. Expenditures must be made in accordance with applicable federal requirements.

NEBRASKA COMMISSION ON PUBLIC ADVOCACY

NOTES TO THE SCHEDULE

(Continued)

1. Criteria (Continued)

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

Intergovernmental – Revenue from other governments in the form of grants, entitlements, shared revenues, payments in lieu of taxes, or reimbursements. The Commission's intergovernmental receipts are a grant from the Nebraska Commission on Law Enforcement and Criminal Justice.

Sales & Charges – Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees. Included in sales and charges are amounts collected by the courts for legal aid fees and indigent defense 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.

Government Aid – Payment of Federal and/or State money to governmental subdivisions, State agencies, local health and welfare offices, individuals, etc., in furtherance of local activities and accomplishment of State programs.

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. Cash accounts are also included in fund balance and are reported as recorded on NIS.

NEBRASKA COMMISSION ON PUBLIC ADVOCACY

NOTES TO THE SCHEDULE

(Continued)

1. Criteria (Concluded)

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.

2. State Agency

The Nebraska Commission on Public Advocacy (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.

The Nebraska Commission on Public Advocacy 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 \$500 at the date of acquisition and has an expected useful life of two or more years is capitalized. Depreciation expenses would be reported in the CAFR in the funds used to acquire or construct them for the State of Nebraska. The cost of normal maintenance and repairs that does not add to the value of the asset or extend asset life is not capitalized.

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

NEBRASKA COMMISSION ON PUBLIC ADVOCACY

NOTES TO THE SCHEDULE

(Continued)

4. Capital Assets (Concluded)

Capital asset activity of the Commission for the fiscal year ended June 30, 2004 was as follows:

	<u>Beginning Balance</u>		<u>Increases</u>		<u>Decreases</u>		<u>Ending Balance</u>
Capital Assets							
Equipment	\$ 64,225	\$	4,029	\$	24,835	\$	43,419
Less accumulated depreciation for:							
Equipment							32,020
Total capital assets, net of depreciation							<u>\$ 11,399</u>

5. Sales & Charges

A legal services fee of \$5 shall be taxed as costs in each court case filed per Neb. Rev. Stat. Section 33-107.01 R.R.S. 2004. The courts remit the fees to the State Treasurer who then credits the fees to the Legal Aid and Services Fund. These fees are then distributed by the Commission in the form of grants to service providers of civil legal services to eligible low-income persons per Neb. Rev. Stat. Sections 25-3001 through 25-3004.

As of May 2003, an indigent defense fee of \$2.75 shall be taxed as costs in each court case filed per Neb. Rev. Stat. Section 33-156 R.R.S. 2004. The courts remit the fees to the State Treasurer who then credits the fees to the Commission on Public Advocacy Operations Cash Fund. The Commission was formerly funded through general fund appropriations and costs billed to counties.

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**NEBRASKA COMMISSION ON PUBLIC ADVOCACY
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 schedule of revenues, expenditures, and changes in fund balances of the Nebraska Commission on Public Advocacy for the fiscal year ended June 30, 2004, and have issued our report thereon dated January 19, 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 Nebraska Commission on Public Advocacy'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 Commission on Public Advocacy'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).

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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, we do not believe the reportable condition described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nebraska Commission on Public Advocacy'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 a certain additional item that we reported to management of the Nebraska Commission on Public Advocacy in the Comments Section of this report as Comment Number 2 (Travel Expense Reimbursements).

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.

January 19, 2005

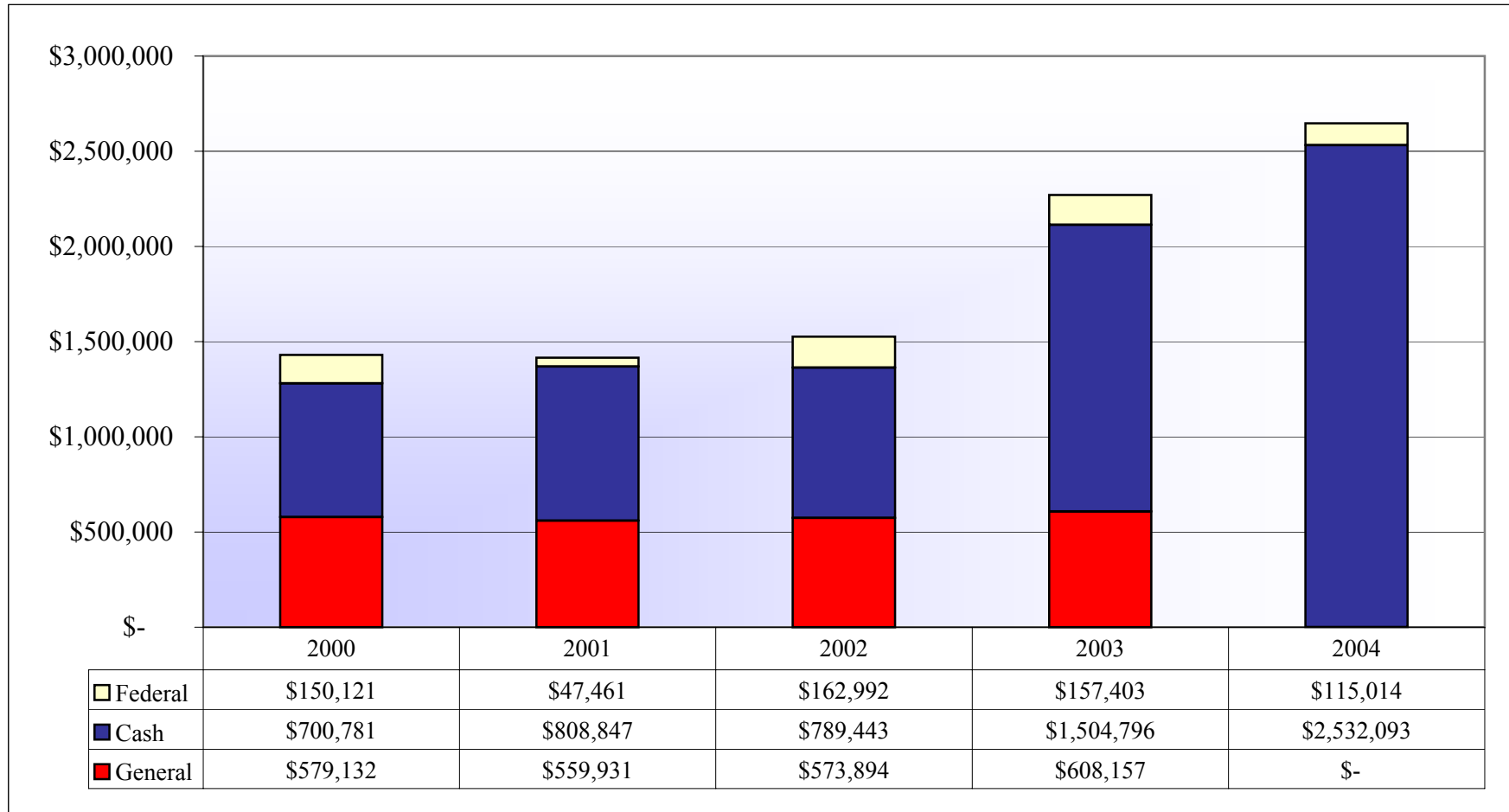
Pat Reding, CPA
Assistant Deputy Auditor

NEBRASKA COMMISSION ON PUBLIC ADVOCACY

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 COMMISSION ON PUBLIC ADVOCACY
EXPENDITURES BY FUND TYPE
 Fiscal Years Ended June 30, 2000 through 2004



Note: Effective May 2003, courts collect a \$2.75 indigent defense fee for each case filed. The fee is remitted to the State Treasurer and credited to the Public Advocacy Cash Fund.

NEBRASKA COMMISSION ON PUBLIC ADVOCACY
EXPENDITURES BY CATEGORY
 Fiscal Years Ended June 30, 2000 through 2004

