

**ATTESTATION REPORT
OF THE
NEBRASKA BOARD OF
PARDONS AND BOARD OF PAROLE
JULY 1, 2004 THROUGH JUNE 30, 2005**

**This document is an official public record of the State of Nebraska, issued by
the Auditor of Public Accounts.**

**Modification of this document may change the accuracy of the original
document and may be prohibited by law.**

Issued on February 9, 2006

NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE

TABLE OF CONTENTS

	<u>Page</u>
Background Information Section	
Background	1
Mission Statement	1
Organizational Chart	2
Comments Section	
Exit Conference	3
Summary of Comments	4 - 5
Comments and Recommendations	6 - 12
Financial Section	
Independent Accountant's Report	13 - 14
Schedule of Revenues, Expenditures, and Changes in Fund Balance	15
Notes to the Schedule	16- 18
Government Auditing Standards Section	
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 <i>Government Auditing Standards</i>	19 - 20
Statistical Section	21
Board of Parole Case Activity	22
Board of Pardons Case Activity	23
Expenditures	24

NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE

BACKGROUND

The Agency is comprised of two (2) separate Boards: the Board of Pardons and the Board of Parole (Boards).

The Board of Pardons was created by the Constitution of the State of Nebraska, Article IV, Section 13. The Board is comprised of the Governor, Attorney General, and Secretary of State. The Board of Pardons has the authority to:

- 1) Remit fines and forfeitures
- 2) Grant respites, reprieves, pardons, or commutations after conviction

The Board of Parole was created in 1969 by LB 1307 and for administrative purposes was placed within the Board of Pardons. The Board consists of five (5) full-time members appointed by the Governor to six-year terms. The duties of the Board of Parole include:

- 1) Review the records of each confined adult offender, whether eligible for parole or not
- 2) Grant or revoke parole as deemed appropriate by a majority vote of the Board
- 3) Review all institutional requests to ascertain if approval is warranted for all furloughs and community placements of offenders leaving the confines of a facility

On November 1, 1992, under LB 13, the Parole Board staff was merged with the Department of Correctional Services personnel, under the supervision of Parole Administration. The Records personnel were merged with Central Records under the Department of Correctional Services. The Board of Parole remained an independent agency.

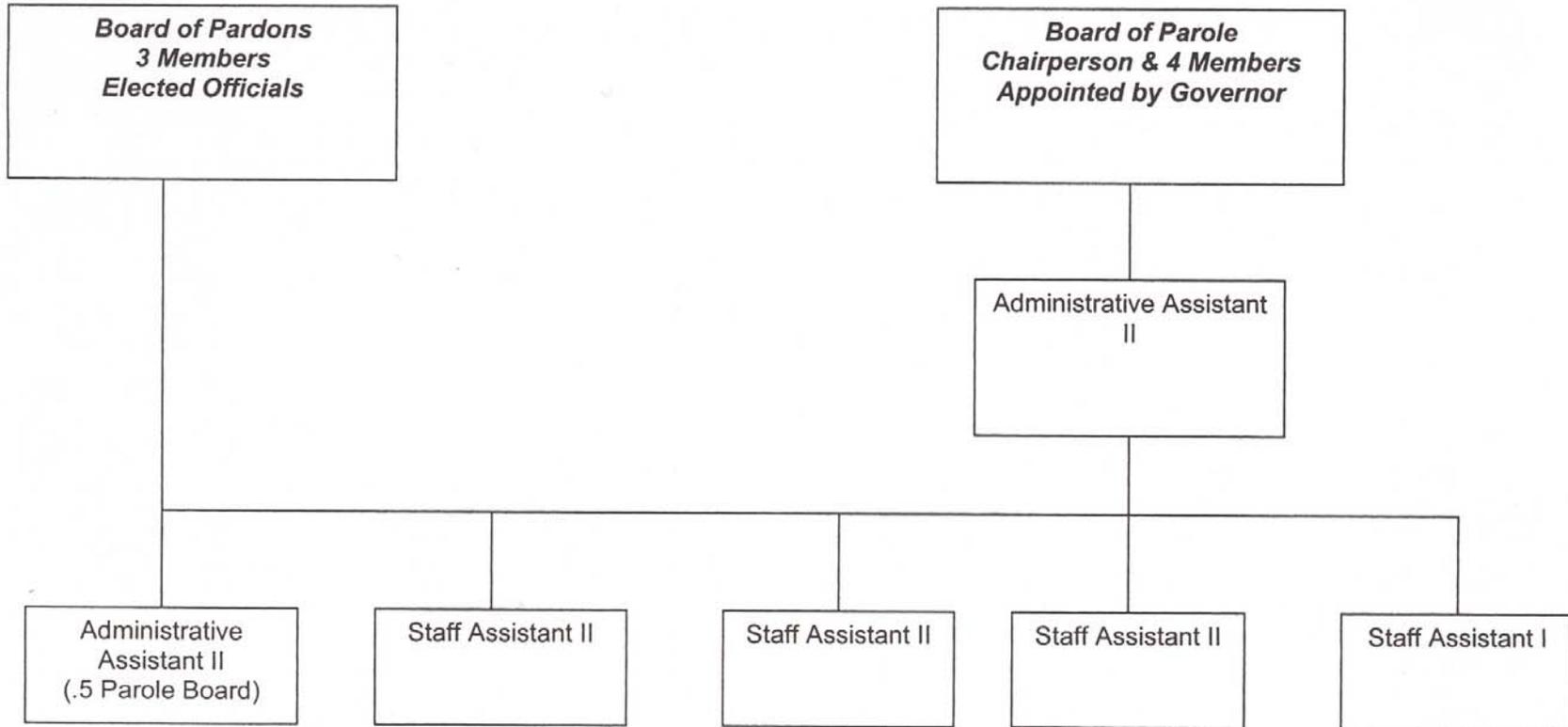
On July, 4, 1994, under LB 677, staff returned to the jurisdiction of the Parole Board with the exception of the Records personnel who remained under Central Records with the Department of Correctional Services. The Department of Correctional Services continues to support the Board with legal, budget, and payroll matters.

MISSION STATEMENT

The Nebraska Board of Parole is an integral part of the criminal justice system. The actions of the Board affect all society including those who are confined and paroled, victims, and the general public. The Board is dedicated to ensuring public safety by returning qualified offenders into the community through supervised conditional release. It is the Agency's objective to provide the offender with a successful transition from confinement to responsible citizenship.

NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE

ORGANIZATIONAL CHART



NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE

EXIT CONFERENCE

An exit conference was held January 13, 2006, with the Boards to discuss the results of our examination. Those in attendance for the Nebraska Board of Pardons and Board of Parole were:

NAME	TITLE
Esther L. Casmer	Chairperson, Board of Parole
Inga Hookstra	Controller, Department of Correctional Services
Joyce Woofter	Assistant Controller, Department of Correctional Services
Sue Geis	Central Office Business Manager, Department of Correctional Services
Trudy Clark	Administrative Assistant, Board of Parole

NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE

SUMMARY OF COMMENTS

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

1. ***Segregation of Duties Over Payroll:*** Two individuals (Department of Correctional Services Central Office Human Resource (HR) Personnel Managers) were responsible for reviewing the pre-payroll register, processing the final payroll report, notifying DAS payroll was ready to post, and comparing the final payroll register to the pre-payroll register. The only review performed was to ensure each employee had at least 80 hours of time recorded. This review was not documented and was not adequate to detect errors or irregularities. HR Personnel Managers reviewed salary changes within NIS, reconciled payroll input to output, and compared the final payroll register with the pre-payroll register but did not document any of this review.
2. ***NIS Batch Management:*** Two employees were set up within NIS Batch Management to prepare, approve, and post their own batches. On May 17, 2005, this problem was corrected and the employees no longer have the ability to prepare, approve, and post their own batches.
3. ***Payroll:*** One of three employees tested did not have a Form I-9 or W-4 on file. Two of five employees tested did not have documentation in their file to explain why their adjusted service date was different than their original hire date. One of three employees did not have forty hours of work recorded on their timesheet. The timesheet only listed deviations from a forty hour work week. One of three employees tested had incorrect leave used entered into the Nebraska Information System (NIS) from their timesheet.
4. ***General Ledger Detail Report Review:*** Neither the Department of Correctional Services Business Manager nor the Boards reviewed the General Ledger Detail Report for expenditures to ensure all transactions posted to their business units were authorized and correct.
5. ***Reconciliation of Bank Records to the Nebraska Information System:*** The Department of Administrative Services' reconciliation process is still not done in a timely manner and continues to reflect unknown variances.

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.

SUMMARY OF COMMENTS

(Continued)

Draft copies of this report were furnished to the Boards 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. 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. Segregation of Duties Over Payroll

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 controls includes an adequate segregation of duties and review of payroll records to ensure the pre-payroll register agrees with the final payroll register. Good internal control also requires any review performed be documented.

The same two individuals (Department of Correctional Services Central Office Human Resources (HR) Personnel Managers) are responsible for reviewing the pre-payroll register, processing the final payroll report, notifying the Department of Administrative Services (DAS) payroll is ready to post, and comparing the final payroll register to the pre-payroll register. The HR Personnel Managers did not enter time or process the pre-payroll, however, the comparison of the final payroll register with the pre-payroll register was reviewed by the HR Personnel Managers to ensure each employee had at least 80 hours of time recorded. This review was not documented and not adequate to detect errors or irregularities.

HR Personnel Managers reviewed salary changes within the Nebraska Information System (NIS), reconciled payroll input to output, and compared the final payroll register with the pre-payroll register but did not document any of this review.

Without adequate segregation of duties, an individual has the opportunity to perpetrate and conceal fraud. This increases the risk of loss or misuse of State funds. Without documenting the review, there is an increased risk the review is not performed and thus increases the risk mistakes are not identified and corrective action taken.

We recommend the Boards ensure the Department of Correctional Services implements procedures to ensure a proper segregation of duties exists or develop controls to compensate for the lack of segregation of duties. We also recommend the Boards ensure Department of Correctional Services begins to document and retain any review that is performed.

Boards' Response: We agree that segregation of duties is important. The Department of Correctional Services Human Resources and Accounting Sections are in the process of reviewing and improving the internal controls over payroll with the assistance of State Accounting. The procedures implemented for the Department of Correctional Services will also be applied to the payroll for the Board of Parole.

NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE

COMMENTS AND RECOMMENDATIONS

(Continued)

2. NIS Batch Management

Good internal control requires an adequate segregation of duties so no one person can prepare, approve, and post their own batches.

During review of NIS Batch Management, we noted two individuals with the ability to prepare, approve, and post their own documents during the fiscal year ended June 30, 2005. Auditors verified this had been corrected on NIS as of May 17, 2005, and these individuals no longer had the ability to prepare, approve, and post their own batches.

Without an adequate segregation of duties there is an increased risk of possible misappropriation or loss of State assets.

We recommend the Boards ensure the Department of Correctional Services maintains an adequate segregation of duties and implements policies to review NIS Batch Management to ensure no users are able to prepare, approve, and post their own batches.

Boards' Response: We agree that adequate segregation of duties should occur. The Department of Correctional Services Accounting requires all staff approving documents to initial the document. With this documentation and tracking in NIS for determining the person who entered and posted a document we are able to identify all three people involved in a transaction. As noted by the auditors, this was corrected by the Department of Correctional Services. The Board is not in a position to have the expertise to review the NIS Batch Management and is confident that the Department of Correctional Services will continue to maintain the appropriate segregation of duties.

3. Payroll

During testing of payroll we tested two employees paid bi-weekly and one employee paid monthly. We noted the following:

Personnel File

U.S. Department of Justice Immigration and Naturalization Service Employment Eligibility Verification Form I-9 states "all employees, citizens and noncitizens, hired after November 6, 1986, must complete Section 1 of this form at the time of hire, which is the actual beginning of employment. Submission of the information required in this form is voluntary. However, an

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Payroll (Continued)

Personnel File (Concluded)

individual may not begin employment unless this form is completed, since employers are subject to civil or criminal penalties if they do not comply with the Immigration and Control Act of 1986.”

Title 273 NAC 11-002 states, “Each agency covered by the State Classified Personnel System shall maintain certain personnel records. These records may be retained at the agency level or at any organizational level determined appropriate by the agency head. Agency heads may prescribe the maintenance of additional records, the required records are: (002.04) copies of documents initiated by the employee that affect pay (W-4s, authorized deductions, etc.).”

Good internal control requires adequate procedures to ensure all employee records are accurate and any changes to them are documented.

During testing we noted the following:

- One of three employees tested did not have a Form I-9 or W-4 included in their personnel file.
- Two of five employees tested did not have documentation in their file to explain why their adjusted service date was different than original hire date.

The Boards were not in compliance with Federal and State regulations. Not maintaining accurate records increases the risk of employees not earning leave at the correct rate as well as not being paid out correctly upon termination.

We recommend the Boards implement procedures to ensure compliance with Federal and State regulations. We also recommend the Boards ensure the Department of Correctional Services maintains documentation to support employees adjusted service dates.

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Payroll (Continued)

Employee Timesheets

Neb. Rev. Stat. Section 84-1001 R.R.S. 1999 states, “All state officers and heads of departments and their deputies, assistants, and employees, except permanent part-time employees, temporary employees, and members of any board or commission not required to render full-time service, shall render not less than forty hours of labor each week except any week in which a paid holiday may occur.”

Title 273 NAC 9-002 states, “Each agency shall maintain an attendance record for each employee, accounting for time worked and all absences from work.”

- One employee did not have forty hours of work recorded on their timesheet. The timesheet only listed deviations from a forty hour work week.
- One employee had incorrect leave entered on NIS from their timesheet. The timesheet showed six hours of vacation and two hours of sick had been used but NIS records showed eight hours of vacation used and no sick leave used.

Without adequate records to support time worked, there is an increased risk for fraudulent or inaccurate payments for unused leave at termination. Without adequate controls in place to ensure leave is being recorded correctly, there is an increased risk the employee may not be paid correctly upon termination.

We recommend the Boards implement procedures which document compliance with State Statutes and State Rules and Regulations by maintaining adequate documentation to support forty hours of work or leave each week for all employees who expect payment of unused leave at termination. Alternatively, adding a certification to timesheets that verifies the employee worked, or was approved for leave, for at least forty hours each week. We also recommend the Boards ensure the Department of Correctional Services implements procedures to ensure leave used is correctly taken from the employee’s timesheet and accurately entered on NIS.

Boards’ Response: Personnel Files – The Board will work with the Department of Correctional Services to ensure that form I-9’s and W-4’s exist for all employees. Additionally, the Board will work with the Department of Correctional Services to secure documentation to support employees adjusted service dates.

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Payroll (Concluded)

Employee Time Sheets – The Board has added a statement to exempt employee’s time sheets stating “I certify that I have worked or been on leave for at least 40 hours each week of this pay period.” In regards to the accurate recording of leave the Department of Correctional Services is implementing a verification process of time records to pay stub for a random selection of employees, this will also include the Board of Parole and their employees.

4. General Ledger Detail Report Review

Good internal control requires procedures to ensure financial transactions are authorized, complete, and accurate, especially when other State employees have statewide access to the accounting system.

Neither the Department of Correctional Service’s Business Manager nor the Boards reviewed the General Ledger Detail Report for expenditures to ensure all transactions posted to their business units were authorized and correct. However, the Business Manager does review the Budget Status Report and will review the General Ledger Detail if questions related to particular expenditures arise from that review.

Without a review of the General Ledger Detail Report for expenditures, there is an increased risk unauthorized or incorrect transactions will post to the Boards’ business units.

We recommend the Boards and the Department of Correctional Services implement policies and procedures to review the General Ledger Detail Report for expenditures to ensure all financial transactions are authorized and accurate. We also recommend this review be documented.

Boards’ Response: The Boards and the Department of Correctional Services believe that the current review process provides an adequate review of the Boards expenditures.

Auditor’s Response: The Boards and the Department of Correctional Services current review is not adequate and a documented review of the General Ledger Detail Report would ensure all transactions posted to their business units were authorized and correct.

COMMENTS AND RECOMMENDATIONS

(Continued)

5. Reconciliation of Bank Records to the Nebraska Information System

Good internal control requires a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial information. Without a timely and complete reconciliation of bank records to the Nebraska Information System (NIS), there is a greater risk for fraud and errors to occur and to remain undetected.

During the audit of the Comprehensive Annual Financial Report (CAFR) of the State of Nebraska, the Auditor of Public Accounts (APA) noted the absence of reconciliation between the Nebraska State Treasurer's actual bank statements and Nebraska accounting records (in both NIS and NAS, the Nebraska Accounting System before NIS). This has been an issue for the Department of Administrative Services (DAS) Accounting Division for many years. The APA's previous versions noted monthly reconciliations have not been completed in a timely manner and reconciliations performed have shown significant unknown variances between the bank records and the accounting records, with the bank being short compared to the accounting records. Although DAS Accounting Division continues to work on correcting the reconciliation of bank records to NIS, the APA continues to note areas where improvement is still needed in the reconciliation process to ensure NIS integrity and operational efficiency. Specifically, the APA noted the status of the reconciliation process as of August 11, 2005 to be as follows:

DAS Accounting Division has worked on the reconciliation process, but continued progress is needed. DAS Accounting Division's reconciliation process has developed into a very detailed process of analyzing bank activity, compared to activity recorded on NIS, to identify reconciling items. DAS Accounting Division has completed their reconciliation process for the months of June and July of 2004. The APA has reviewed these reconciliations. These two months show variances of \$2,944,126 and \$2,932,824, respectively. Again, the reconciliations show the bank being short compared to the accounting records. Per inquiry of management, DAS Accounting Division has started the reconciliation process for various months of the fiscal year ended June 30, 2005; however, the reconciliation process has not been a continuous monthly process and no monthly reconciliation has been completed since July of 2004.

Although DAS Accounting Division has worked on the reconciliation process, the process is still not done in a timely manner and the variance is inconsistent. The reconciliation continues to reflect unknown variances and shortages. Complete and timely reconciliation procedures between bank records and accounting records are required to provide control over cash and accurate financial information.

COMMENTS AND RECOMMENDATIONS

(Continued)

5. Reconciliation of Bank Records to the Nebraska Information System (Concluded)

The APA recommends DAS Accounting Division continue their reconciliation process, in a timelier manner, and on at least a monthly basis, to ensure all financial information is correct on NIS. We also recommend, when a consistent cash variance between the bank records and the accounting records is obtained (based on at least six months of reconciliations), DAS submit their plan for adjusting NIS to the Governor and the Legislature so they may take appropriate action to correct NIS and resolve the variances noted.

This issue is the responsibility of DAS Accounting Division; however, as the variances have not been identified by fund or agency, this issue directly affects all Nebraska State agencies' financial information and must be disclosed in this report.

Boards' Response: This is not the Boards responsibility. The Boards only operate with General fund appropriation and have no fund with a cash balance; therefore, we are unsure as to why this is included in the Boards audit report.

Auditor's Response: The issue of the Reconciliation of Bank Records to the Nebraska Information System potentially affects all Nebraska State agencies and is included in the report to inform the reader.

STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS



P.O. Box 98917
State Capitol, Suite 2303
Lincoln, NE 68509
402-471-2111, FAX 402-471-3301
www.auditors.state.ne.us

Kate Witek
State Auditor
Kate.Witek@apa.ne.gov

NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE

INDEPENDENT ACCOUNTANT'S REPORT

Deann Haeffner, CPA
Deputy State Auditor
Deann.Haeffner@apa.ne.gov

Nebraska Board of Pardons and Board of Parole
Lincoln, Nebraska

Don Dunlap, CPA
Asst. Deputy Auditor
Don.Dunlap@apa.ne.gov

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Board of Pardons and Board of Parole (Boards) for the fiscal year ended June 30, 2005. The Boards' management is responsible for the schedule of revenues, expenditures, and changes in fund balances. Our responsibility is to express an opinion based on our examination.

Pat Reding, CPA
Asst. Deputy Auditor
Pat.Reding@apa.ne.gov

Tim Channer, CPA
Asst. Deputy Auditor
Tim.Channer@apa.ne.gov

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
SAE/Finance Manager
Mary.Avery@apa.ne.gov

Dennis Meyer, CGFM
Subdivision Budget
Coordinator
Dennis.Meyer@apa.ne.gov

In our opinion, the schedule referred to above presents, in all material respects, the revenues, expenditures, and changes in fund balances of the Nebraska Board of Pardons and Board of Parole for the fiscal year ended June 30, 2005, 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
Mark.Avery@apa.ne.gov

Perry Pirsch, JD, MPA
Legal Counsel
Perry.Pirsch@apa.ne.gov

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2006, on our consideration of the Nebraska Board of Pardons and Board of Parole'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 Boards and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Timothy J. Channer CPA". The signature is written in a cursive style with a large, sweeping initial "T".

Assistant Deputy Auditor

January 13, 2006

NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2005

	General Fund 10000
	10000
REVENUES:	
Appropriations	\$ 619,860
Sales & Charges	64
TOTAL REVENUES	619,924
EXPENDITURES:	
Personal Services	582,220
Operating	31,116
Travel	6,524
TOTAL EXPENDITURES	619,860
Excess of Revenues Over Expenditures	64
OTHER FINANCING SOURCES (USES):	
Sales of Assets	818
Deposit to General Fund	(882)
TOTAL OTHER FINANCING SOURCES (USES)	(64)
Net Change in Fund Balances	-
FUND BALANCE, JULY 1, 2004	231
FUND BALANCE, JUNE 30, 2005	\$ 231
FUND BALANCE CONSISTS OF:	
Deposits with Vendors	\$ 231
TOTAL FUND BALANCE	\$ 231

The accompanying notes are an integral part of the schedule.

NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE

NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2005

1. Criteria

The accounting policies of the Nebraska Board of Pardons and Board of Parole 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 Boards 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, 2005, includes only those payables posted to NIS before June 30, 2005, and not yet paid as of that date. The amount recorded as expenditures as of June 30, 2005, **does not** include amounts for goods and services received before June 30, 2005 which had not been posted to NIS as of June 30, 2005.

The Boards had no accounts receivable at June 30, 2005. The NIS system does not include liabilities for accrued payroll and compensated absences.

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

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 Boards 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.

Sales & Charges – Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees.

NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE

NOTES TO THE SCHEDULE

(Continued)

1. Criteria (Concluded)

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

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

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.

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

Assets – Resources owned or held by a government that have monetary value. Assets include deposits with vendors. 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.

2. State Agency

The Nebraska Board of Pardons and Board of Parole (Boards) makeup one State agency established under and governed by the laws of the State of Nebraska. As such, the Boards are exempt from State and Federal income taxes. The schedule includes all funds of the Boards.

The Nebraska Board of Pardons and Board of Parole are part of the primary government for the State of Nebraska.

3. 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 Boards value 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

NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE

NOTES TO THE SCHEDULE

(Continued)

3. Capital Assets (Concluded)

that has a cost of \$1,500 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.

Capital asset activity of the Boards for the fiscal year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets				
Equipment	\$ 30,307	\$ -	\$ 20,695	\$ 9,612
Less accumulated depreciation for:				
Equipment				<u>5,711</u>
Total capital assets, net of depreciation				<u>\$ 3,901</u>

STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS



P.O. Box 98917
State Capitol, Suite 2303
Lincoln, NE 68509
402-471-2111, FAX 402-471-3301
www.auditors.state.ne.us

Kate Witek
State Auditor
Kate.Witek@apa.ne.gov

NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE 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

Deann Haeffner, CPA
Deputy State Auditor
Deann.Haeffner@apa.ne.gov

Nebraska Board of Pardons and Board of Parole
Lincoln, Nebraska

Don Dunlap, CPA
Asst. Deputy Auditor
Don.Dunlap@apa.ne.gov

Pat Reding, CPA
Asst. Deputy Auditor
Pat.Reding@apa.ne.gov

Tim Channer, CPA
Asst. Deputy Auditor
Tim.Channer@apa.ne.gov

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Board of Pardons and Board of Parole for the fiscal year ended June 30, 2005, and have issued our report thereon dated January 13, 2006. 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.

Mary Avery
SAE/Finance Manager
Mary.Avery@apa.ne.gov

Internal Control Over Financial Reporting

Dennis Meyer, CGFM
Subdivision Budget
Coordinator
Dennis.Meyer@apa.ne.gov

In planning and performing our examination, we considered the Nebraska Board of Pardons and Board of Parole'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Mark Avery, CPA
Subdivision Audit
Review Coordinator
Mark.Avery@apa.ne.gov

Perry Pirsch, JD, MPA
Legal Counsel
Perry.Pirsch@apa.ne.gov

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nebraska Board of Pardons and Board of Parole's schedule of revenues, expenditures, and changes in fund balances, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our examination, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain additional items that we reported to management of the Nebraska Board of Pardons and Board of Parole in the Comments Section of this report as Comment Number 1 (Segregation of Duties Over Payroll), Comment Number 2 (NIS Batch Management), Comment Number 3 (Payroll), Comment Number 4 (General Ledger Detail Report Review), and Comment Number 5 (Reconciliation of Bank Records to the Nebraska Information System).

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

Handwritten signature of Timothy J. Channer CPA in black ink.

Assistant Deputy Auditor

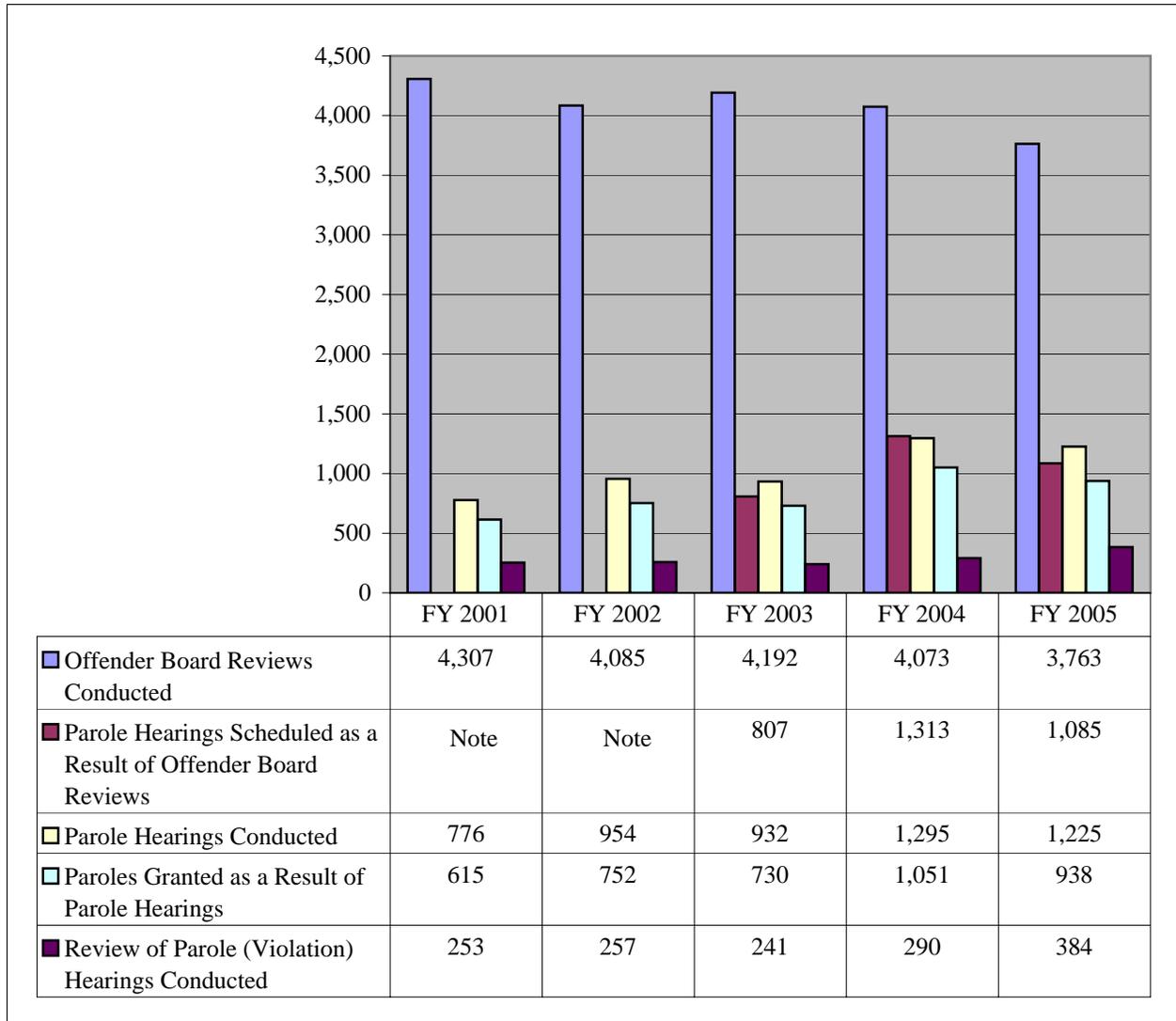
January 13, 2006

NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE

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 BOARD OF PARDONS AND BOARD OF PAROLE
BOARD OF PAROLE CASE ACTIVITY
For the Fiscal Years Ended June 30, 2001, 2002, 2003, 2004, and 2005



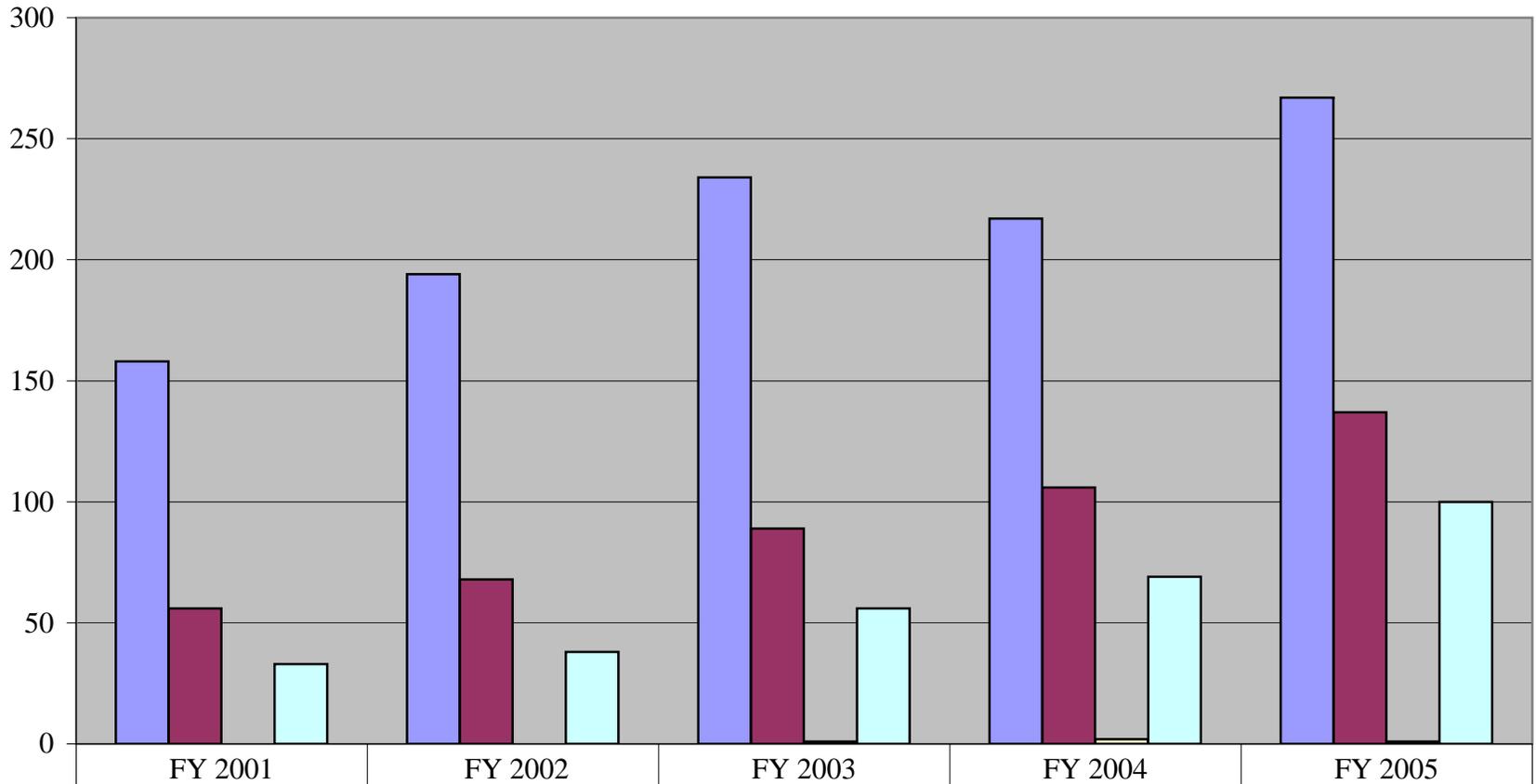
Offender Board Reviews are statutorily mandated interviews to determine whether an inmate shall be scheduled for a Parole Hearing or deferred to another Offender Board Review for further parole consideration. An initial Offender Board Review is scheduled within the first year of incarceration, regardless of the parole eligibility date. Thereafter, all Offender Board Reviews are scheduled by the Board in accordance with State Statutes, including cases not eligible for parole due to serving a Life/Death/Flat Sentence.

Parole Hearings are public hearings wherein an offender is considered for actual release to serve the remainder of the court-imposed sentence in the community under the supervision of a Parole Officer.

Review of Parole Hearings are public hearings wherein a parolee has violated the condition(s) of parole. After weighing the mitigating and aggravating factors as to what best benefits society and the parolee, a determination is made by the Board to revoke parole or continue on parole.

Note: The Board of Parole did not have any information on the number of Parole Hearings scheduled as a result of Offender Board Reviews during Fiscal Years 2001 and 2002.

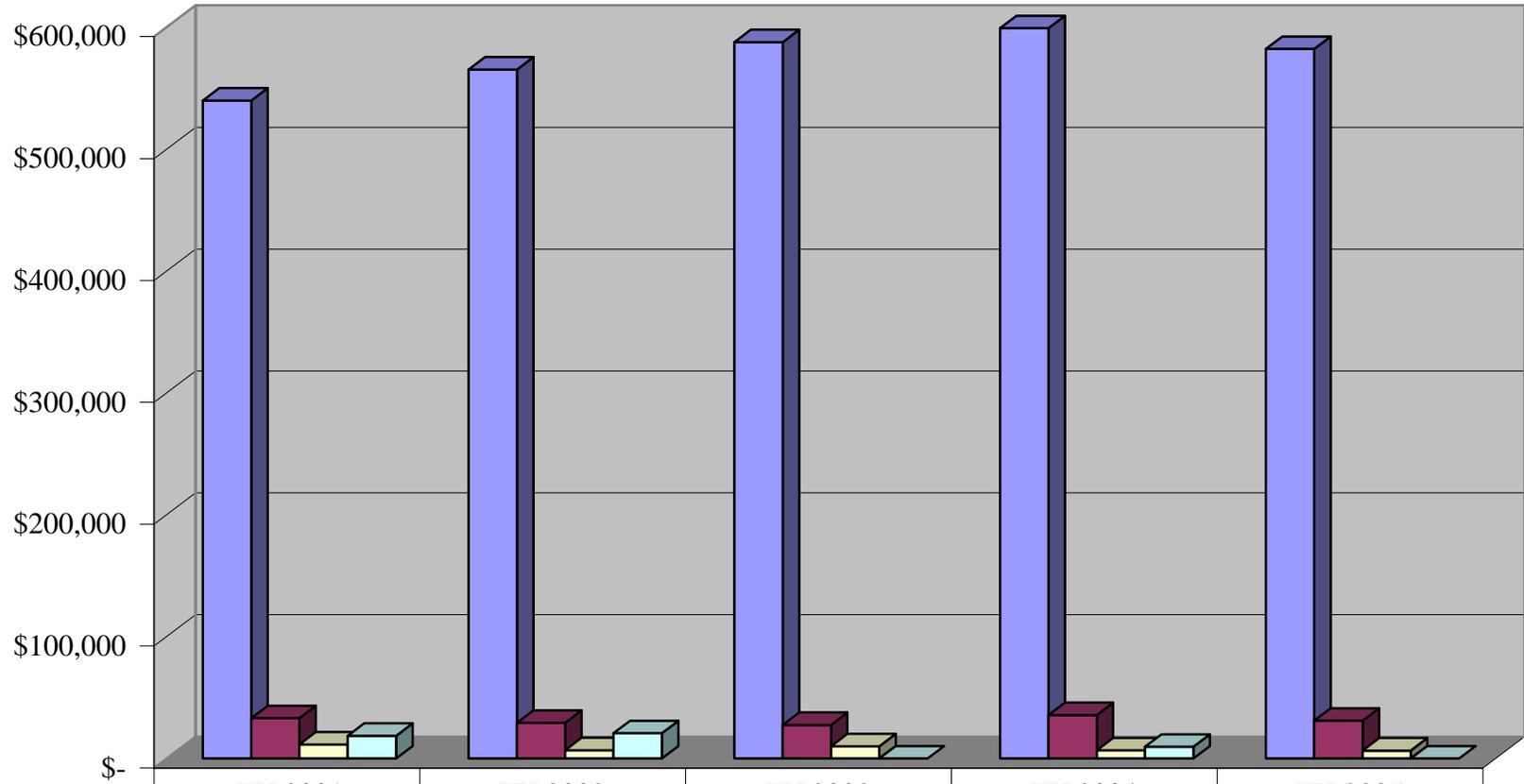
NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE
BOARD OF PARDONS CASE ACTIVITY
 For the Fiscal Years Ended June 30, 2001, 2002, 2003, 2004, and 2005



■ Cases Presented	158	194	234	217	267
■ Cases Heard	56	68	89	106	137
■ Commutations Granted	0	0	1	2	1
■ Pardons Granted	33	38	56	69	100

**NEBRASKA BOARD OF PARDONS AND BOARD OF PAROLE
EXPENDITURES**

For the Fiscal Years Ended June 30, 2001, 2002, 2003, 2004, and 2005



	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services	\$539,856	\$565,354	\$587,808	\$599,292	\$582,220
Operating Expenses	\$33,050	\$29,180	\$27,515	\$35,628	\$31,116
Travel	\$11,415	\$6,736	\$10,021	\$6,611	\$6,524
Capital Outlay	\$18,618	\$20,704	\$-	\$9,594	\$-