

**ATTESTATION REPORT
OF THE
NEBRASKA DEPARTMENT OF INSURANCE
JULY 1, 2004 THROUGH JUNE 30, 2005**

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the Auditor of Public Accounts.**

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Issued on February 6, 2006

NEBRASKA DEPARTMENT OF INSURANCE

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NEBRASKA DEPARTMENT OF INSURANCE

BACKGROUND

The Nebraska Department of Insurance (Department) is responsible for the general supervision, control, and regulation of insurance companies, associations and societies, and the business of insurance in Nebraska, including companies in the process of organization. The Director of Insurance is appointed by the Governor, and is charged with the duty to enforce and execute all the insurance laws of Nebraska and to make necessary rules and regulations to carry out the laws. The Department is funded with revenue received from occupational licenses and administrative fees. The major responsibilities of the Department are to:

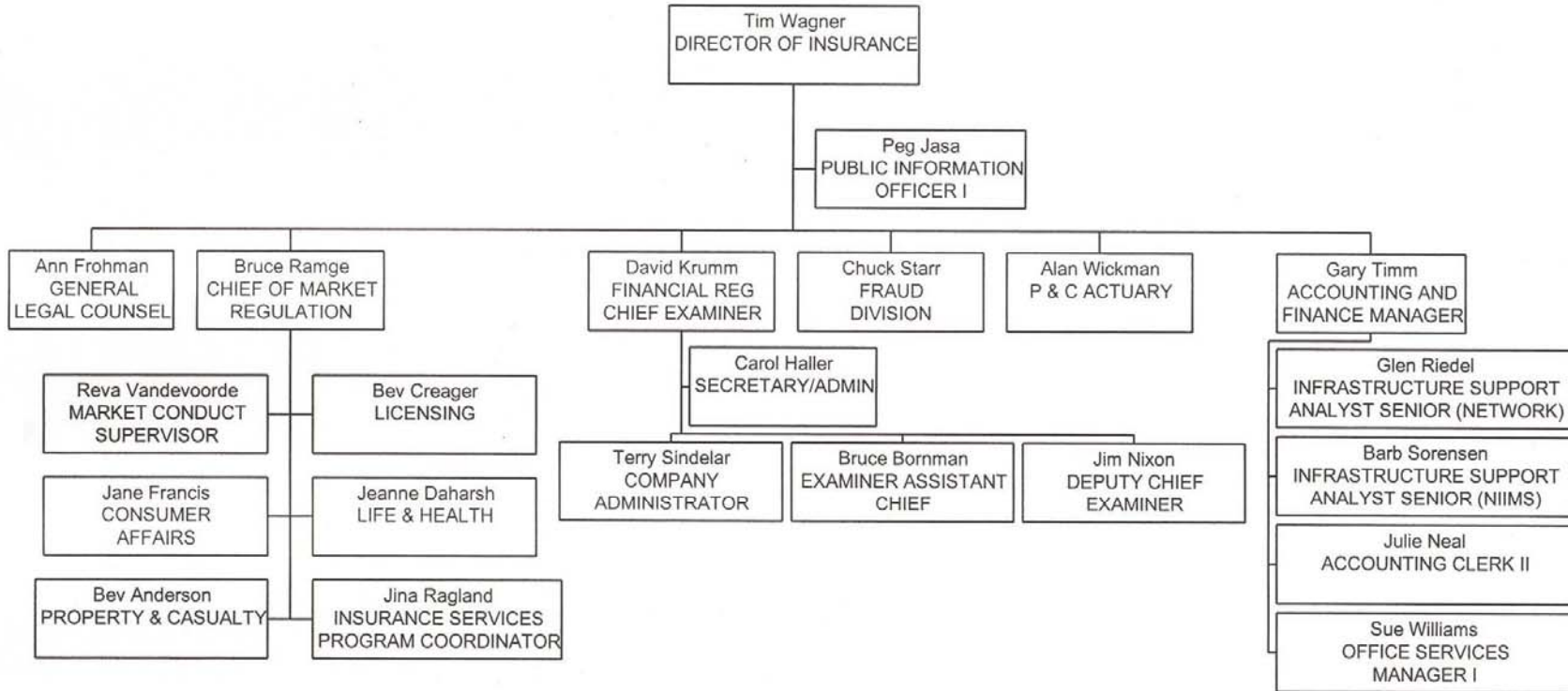
1. Supervise, license, and regulate insurance companies, agents, agencies, brokers, and consultants;
2. Issue Certificates of Authority permitting companies to sell insurance in the State;
3. Institute corrective action when an insurance company is faced with financial difficulties;
4. Perform financial and market conduct examinations of domestic and foreign insurance companies;
5. Approve and evaluate continuing education courses;
6. Investigate inquiries from consumers and alleged violations of insurance laws;
7. Act as a depository for domestic insurers required to maintain securities for the benefit of their policy holders;
8. Review and approve/disapprove all forms for insurance policies, riders, endorsements, and rates for property and casualty insurance sold in Nebraska;
9. Administer the Nebraska Medical Malpractice Excess Liability Fund; and
10. License and regulate ancillary, but related, areas of health maintenance organizations, prepaid legal service corporations, service contract companies, motor clubs, prepaid dental corporations, the comprehensive health insurance pool, intergovernmental risk management pools, risk retention and purchasing groups, and pre-need burial services.

MISSION STATEMENT

To safeguard those affected by the business of insurance through the fulfillment of our statutory obligations and by promoting the fair and just treatment of all parties to insurance transactions.

NEBRASKA DEPARTMENT OF INSURANCE

ORGANIZATIONAL CHART



NEBRASKA DEPARTMENT OF INSURANCE

EXIT CONFERENCE

An exit conference was held December 28, 2005 with the Department to discuss the results of our examination. Those in attendance for the Nebraska Department of Insurance were:

NAME	TITLE
Tim Wagner	Director
Ann Frohman	Deputy/General Counsel
Gary Timm	Accounting and Finance Manager
Kathy Vandenberg	Personnel Officer

NEBRASKA DEPARTMENT OF INSURANCE

SUMMARY OF COMMENTS

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

1. ***NIS Batch Management:*** Two employees were authorized in NIS Batch Management to both prepare and approve/post the same batch documents.
2. ***Contracts:*** All four contracts tested were reviewed by legal counsel prior to either party signing but there was no documentation of this review. One of four contracts tested did not have a termination clause included. No documentation was present to support how the Department selected the vendor for three of four contracts tested. One of four contracts tested did not have any scheduled review prior to the final report.
3. ***Travel Expenses:*** Two employees tested did not follow the Federal GSA per diem rate guidelines for meal reimbursements. Three employees tested did not properly complete their expense reimbursement forms. Two employees submitted claims for mileage reimbursements that were not reasonable. The Department paid State, county, and city taxes for direct billed lodging costs.
4. ***Payroll and Personnel:*** Four of ten employees tested did not fully complete detailed timesheets. One employee tested had retirement withheld at an incorrect rate which caused the employee to under contribute \$78 to retirement and the State to under contribute \$121. One terminated employee had a vacation leave balance of 7.11 hours on NIS.
5. ***Required Security Deposits:*** One of four insurance companies tested did not have the required deposit amount pledged with the Nebraska Department of Insurance.
6. ***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.

NEBRASKA DEPARTMENT OF INSURANCE

SUMMARY OF COMMENTS

(Continued)

Draft copies of this report were furnished to the Department 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.

NEBRASKA DEPARTMENT OF INSURANCE

COMMENTS AND RECOMMENDATIONS

1. **NIS Batch Management**

Good internal control requires an adequate segregation of duties so no one person can prepare, approve, and post their own documents. A system of internal control should include proper segregation of duties so no one individual is capable of handling all phases of a transaction from beginning to end. The Nebraska Information System (NIS) is the official accounting system of the State.

Two employees were authorized in NIS Batch Management to both prepare and approve/post the same batch documents.

When one individual can prepare, approve, and post the same batch documents, there is an increased risk errors or fraud may occur and not be detected, resulting in loss or misuse of State funds.

We recommend the Department maintain an adequate segregation of duties and implement policies to review NIS Batch Management to ensure no one user is able to prepare, approve, and post the same batch documents.

Department's Response: When NIS became the official accounting system for the State, agencies were required to set up Batch Management or document approval flow. At this time, the Department reviewed the Batch Management of the Auditor's Office and found one person with the authority to prepare, approve, and post transactions. The Department believed if the Auditors had set up Batch Management in this manner, then, with adequate compensating controls, the Department should also be able to set up Batch Management in a similar manner. With the idea of implementing compensating controls similar to what the Auditors have been recommending to small agencies for years, the Department implemented a documented, monthly review of all posted transactions, believing this would mitigate the risk.

The Department will remove the authority to prepare, approve, and post from one of the individuals and perform a daily review to identify any documents prepared by the individual that will continue to have the authority to prepare, approve, and post documents. With these changes, the Department believes if a bogus document is prepared, it would be identified within a day, removing the possibility of a bogus document going undetected for any length of time.

Auditor's Response: The Department has adequate staff to be able to segregate duties. There is a significant weakness in internal control whenever one individual has the authority to prepare, approve, and post the same batch document. In a Department of this size, no individual should be authorized to prepare, approve, and post the same batch document, as it could lead to misappropriation of funds.

NEBRASKA DEPARTMENT OF INSURANCE

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Contracts

Good internal control requires the Department to complete and to document reviews of contracts properly. It also requires the Department to include termination clauses in all contracts. The Department is also responsible for following those sections of Neb. Rev. Stat. Section 73-503 R.S.Supp., 2003 through Neb. Rev. Stat. Section 73-505 R.S.Supp., 2003, that they are not exempt from. Neb. Rev. Stat. Section 73-507 R.S.Supp., 2003 exempts Department of Insurance contracts for financial or actuarial examination, for rehabilitation, conservation, reorganization, or liquidation of licensees, and for professional services related to residual pools or excess funds under the agency's control from sections 73-504, 73-508, and 73-509. Neb. Rev. Stat. Section 73-505 R.S.Supp., 2003 states, "State agency directors shall be responsible for maintaining accurate documentation of the process used for selection of all contracts for services and for ensuring and documenting that services required under the contract are being performed in compliance with the terms of the contract for services. Such documentation shall be kept with each contract for services."

- All four contracts tested were reviewed by legal counsel prior to either party signing but there was no documentation of this review.
- One of four contracts tested did not have a termination clause included.
- No documentation was present to support how the Department selected the vendor for three of four contracts tested.
- One of four contracts tested did not have any scheduled review prior to the final report.

Without good internal control over the contracts there is the possibility of a loss or misuse of State funds.

We recommend the Department implement procedures to ensure 1) all contracts are reviewed by legal counsel and this review is documented, 2) all contracts include a termination clause, 3) documentation is maintained to support how the vendor was selected, and 4) services required under the contract are being performed in compliance with the terms of the contract.

Department's Response: The Department agrees with the first bullet point and will include with the contract the review correspondence from the Legal division, thus documenting the review by legal counsel.

NEBRASKA DEPARTMENT OF INSURANCE

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Contracts (Concluded)

Department's Response, Concluded:

The Department agrees with the second bullet point and has updated the boilerplate language to include termination clauses.

The Department agrees with the third bullet point and will attach a memo describing the reasoning in selecting a particular vendor.

The Department agrees with the fourth bullet point and will insure a review is completed prior to the final report.

3. Travel Expenses

Federal General Service Administration (GSA) per diem rates provide guidance how state employee meals should be broken down between breakfast, lunch, dinner, and incidentals. Good internal control also requires procedures to ensure daily meal costs reimbursed to employees are reasonable. The Department of Administrative Services (DAS) recommends departments utilize the maximum Federal per diem standards as published by the Federal government as a reasonable guideline. Neb. Rev. Stat. Section 81-1177 R.R.S. 1999 states "The Director of Administrative Services is required to have prepared a uniform traveling expense account form to be used by all state officers and employees when making a request for payment or reimbursement for traveling expenses. No traveling expense request shall be approved for payment unless it is made on the form prescribed and furnished by the director." Good internal control requires employees to submit all information on the expense reimbursement form prescribed by the Director of DAS in order for them to be reimbursed properly for mileage and meals. Neb. Rev. Stat. Section 81-1176(1) R.R.S. 1999 states that, "If a trip or trips included in a request for payment or reimbursement filed under sections 81-1174 and 81-1175 are made by personal automobile or otherwise, only one mileage request shall be allowed for each mile actually and necessarily traveled in each calendar month by the most direct route . . ." Good internal control requires expense reimbursement documents be adequately reviewed to ensure mileage is reasonable. Good internal control requires procedures to ensure instate lodging expenses are reasonable, economical, and tax exempt.

- Two employees tested did not follow the Federal GSA per diem rate guidelines for meal reimbursements. Although the employees did not claim breakfast for any of their reimbursements, they still claimed the maximum amount of the per diem each day, which is not reasonable. Guidelines for the locations state the meals shall be broken down each day; \$7 for breakfast, \$7 for lunch, and \$18 for dinner. If breakfast was not claimed then

NEBRASKA DEPARTMENT OF INSURANCE

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Travel Expenses (Continued)

the reasonable maximum for lunch and dinner would be \$25. The hotels where the employees stayed provided breakfast. The expenses of these examiners are reimbursed by the insurance companies being examined.

- Three employees tested did not properly complete their expense reimbursement forms.
 - Two employees did not include their residence address or headquarter city.
 - One employee did not include name, residence address, job title, and headquarter city.
 - One employee did not properly complete their start location or destination to properly document their mileage reimbursement.
- Two employees submitted claims for mileage reimbursements that were not reasonable. Both trips were from Omaha to Des Moines and they submitted claims of 160 miles one way, but per MapQuest the trip is only 135 miles. Allowing for a ten percent variance, the maximum allowable mileage claimed would be 148 miles.
- One payment to the Country Inn and Suites included State, county, and city taxes although the payment was directly billed to the Department. Direct billed hotel expenses are exempt from State, county, and city taxes.

When the GSA per diem meal guidelines are not followed, there is a risk insurance companies are being overcharged for expenses of the examinations. Without properly completing the expense reimbursement document, there is the possibility of a loss or misuse of State funds. Without good internal control over mileage reimbursements, the Department has the risk of overpaying employees for mileage and there is the possibility of loss or misuse of State funds. Without proper internal control over instate lodging bills, there is a possibility of a loss or misuse of State funds.

We recommend the Department implement procedures which ensure employees are only being reimbursed for meals per the GSA guidelines, all employees expense reimbursement documents are properly completed prior to being submitted, employee's mileage claims are reviewed to ensure the Department is not overpaying for mileage reimbursements, and the Department is not paying for taxes on instate lodging.

NEBRASKA DEPARTMENT OF INSURANCE

COMMENTS AND RECOMMENDATIONS

(Continued)

3. **Travel Expenses** (Continued)

Department's Response: The Department does not agree with the first bullet point or the Auditors' interpretation of the breakdown of meals for the following reasons:

- *The State Accounting Administrator has stated in an email dated January 3, 2006, that the State is not using the breakdown of meal costs. Since the State Accounting Administrator sets meal reimbursement policy for this Department, the Department will continue reimbursing employees as it has done in the past.*
- *The Department asked the GSA for clarification on this matter and the GSA responded, "M&IE breakdown is only provided in the case of deducting Government-provided meals. Because the M&IE is paid in a "lump sum", the Federal Government doesn't care how you spend this money. For example, you can skip breakfast and lunch, and spend the entire amount on dinner or you can fast and pocket the entire amount."*
- *The Auditors' interpretation does not take into account that people may want a large meal at the beginning of the day instead of at the end. This may not only be a personal preference but a medical necessity.*
- *There could be health reasons why an employee does not eat the breakfast that is provided by the hotel and therefore has to order from the menu.*

The Department will continue with its current policy that is aligned with the State Accounting policy and GSA guidelines. If the Auditors feel this policy is wrong, please contact the State Accounting Administrator and the GSA to revise the meal policy.

The Department agrees with the second bullet point. However, when NIS became the official accounting system for the State, all employees were assigned an employee number for identification in NIS. NIS now includes all employee information, including addresses. Social security numbers were no longer required to be included on the expense reimbursement document for obvious security reasons. The Department took this to the next logical step and made the address optional. Being a small agency and having a close working relationship with Human Resources, the Accounting Division knows when any employee changes addresses and would then make the necessary adjustments to mileage and meal costs, if required. The Accounting division will periodically query and print address information from NIS to insure the correct information is used when reimbursement is requested.

NEBRASKA DEPARTMENT OF INSURANCE

COMMENTS AND RECOMMENDATIONS

(Continued)

3. **Travel Expenses** (Concluded)

Department's Response, Concluded:

The Department cannot refute the third bullet point but believes the amount of mileage claimed for the entire trip was reasonable. In reviewing this expense reimbursement, no amount of mileage was claimed for the small trips (i.e. between hotel and company) taken during the week the examiners were on location. The Department believes these small trips were included in the 160 miles submitted. The Department has specific instructions for the completion of the expense reimbursement document requiring daily reporting of miles.

The Department agrees with the fourth bullet point, but believes this was an isolated incident. The Department does review invoices to insure taxes are not charged and have had invoices that included taxes corrected by the vendor.

With the exception of the fourth bullet point, the Department does not believe that this is an internal control issue, that any state funds were lost or misused, or that insurance companies were overcharged for actual expenses of the examination.

Auditor's Response: When the Department provides meals to employees either directly or indirectly as when the hotel provides breakfast, it is not reasonable for the Department to reimburse the employee the same amount as would have been reimbursed if the Department had not provided meals.

4. **Payroll and Personnel**

Title 273 NAC 9-002 states that each agency shall maintain a record for each employee for time worked and all absences from work. Neb. Rev. Stat. Section 84-1001 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 except any week in which a paid holiday may occur." Good internal control requires procedures to ensure adequate documentation that all employees complete forty hours of work each week, particularly when employees will receive a payment for unused sick and vacation leave upon termination. Retirement is required to be withheld from employees' salary at a rate of 4.33% until \$864 in contributions (\$19,954 in salary) is withheld during the plan year. Contributions on salary in excess of \$19,954 during the year are at the rate of 4.8%. Good internal control requires procedures to ensure retirement is withheld at the correct rate. Good internal control requires procedures to ensure vacation leave is zeroed out upon termination. NIS is the official accounting system of the State.

- Four of ten employees tested did not fully complete detailed timesheets. One employee did not record time taken for lunch. Three employees recorded leave only.

NEBRASKA DEPARTMENT OF INSURANCE

COMMENTS AND RECOMMENDATIONS

(Continued)

4. Payroll and Personnel (Continued)

- One employee had retirement in excess of \$864 coded to Deduction Benefit Account (DBA) Code 1110 (retirement withheld at 4.3%). The excess amount was \$715. The portion of income over \$19,954 should have had retirement withheld at a rate of 4.8%. The employee under contributed \$78 to retirement and the State under contributed \$121, for a total under contribution of \$199.
- One terminated employee had a vacation leave balance of 7.11 hours on NIS. The hours were paid out to the employee and the dollar amount was recorded on NIS. However, the number of hours was not entered into NIS leaving a balance on the employee's records.

Without good internal control over timesheets, retirement deductions and match, and vacation leave balances, there is the potential for the loss or misuse of State funds.

We recommend the Department implement procedures which ensure all employees record both leave taken and actual hours worked, or alternatively, add a certification to leave timesheets that verifies the employee worked, or was approved for leave for at least 40 hours a week. Additionally, we recommend the Department implement procedures which ensure retirement is withheld at the correct rate and the State contribution is correct, and vacation hours are paid and zeroed out on NIS when an employee is terminated.

Department's Response: The Department does not agree with the first bullet point. The Department requires all leave and actual hours worked be recorded on non-exempt employee timesheets. However, exempt employees are only required to record leave taken on the timesheets. The Department has followed this policy for at least twenty years and the Auditors have never commented on this practice in the past. This comment leads one to believe that the Department is lacking internal controls over the timesheets. This is entirely inaccurate. The Department relies on the supervisor to review the accuracy of their employees' timesheets, understanding that a normal workweek is 40 hours. The supervisor's signature on the timesheet is documentation of this control. The Department has added the following to exempt employees timesheets, "I certify that I have worked or been on approved leave for at least 40 hours each week of this pay period."

NEBRASKA DEPARTMENT OF INSURANCE

COMMENTS AND RECOMMENDATIONS

(Continued)

4. Payroll and Personnel (Concluded)

Department's Response, Concluded:

The Department agrees with the second bullet point. However, the Department believed the DynaPlan program provided by the State and required to be used to support the request for the interim payment request would make the correct calculations instead of the Department being required to do manual calculations. The Department will manually recalculate information in the future.

The Department agrees with the third bullet point. The Department will work with DAS to remove the vacation balance from NIS since the Department does not have the authority to make this adjustment.

Auditor's Response: The addition of a certification, of hours worked, and leave hours used, will document the employees comply with State statutes and Rules and Regulations.

5. Required Security Deposits

Neb. Rev. Stat. Section 44-150 R.R.S. 2004 states, when a state's deposit requirements imposed upon Nebraska insurers are in excess of Nebraska statutory requirements, retaliation will occur. Per Senate Bill Number 2093, California requires all insurance companies authorized to sell workers' compensation insurance in California to have \$100,000 on deposit.

One of four insurance companies tested did not have the required deposit amount pledged with the Nebraska Department of Insurance. A California company had \$25,000 on deposit. Effective January 1, 2003, the deposit amount required was increased to \$100,000.

Without proper control over deposit requirements, there is the possibility policy holders are not appropriately protected.

We recommend the Department implement procedures to contact the insurance companies and make them aware of changes in deposit requirements in a timely manner.

Department's Response: The Department agrees with this finding and will implement procedures to insure the correct deposit requirements are maintained.

NEBRASKA DEPARTMENT OF INSURANCE

COMMENTS AND RECOMMENDATIONS

(Continued)

6. 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.

NEBRASKA DEPARTMENT OF INSURANCE

COMMENTS AND RECOMMENDATIONS

(Continued)

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

The APA recommends DAS Accounting Division continue their reconciliation process, in a more timely 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.

Department's Response: As can be seen from this comment, the Department has absolutely no control over this issue and has no method of correcting this issue or of verifying its accuracy.

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 DEPARTMENT OF INSURANCE

INDEPENDENT ACCOUNTANT'S REPORT

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

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

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

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

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

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

Nebraska Department of Insurance
Lincoln, Nebraska

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and accordingly, included examining, on a test basis, evidence supporting the schedule of revenues, expenditures, and changes in fund balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedule referred to above presents, in all material respects, the revenues, expenditures, and changes in fund balances of the Nebraska Department of Insurance 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2005, on our consideration of the Nebraska Department of Insurance'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 Department 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. Chamber CPA". The signature is written in a cursive style with a large, sweeping initial "T".

Assistant Deputy Auditor

December 28, 2005

NEBRASKA DEPARTMENT OF INSURANCE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2005

	General Fund 10000	Insurance Cash Fund 22210	Federal General Fund 40000	Excess Liability Fund 62220
REVENUES:				
Taxes	\$ 25,675,050	\$ -	\$ -	\$ -
Intergovernmental	-	-	1,163,829	-
Sales & Charges	-	12,066,770	-	12,388,374
Miscellaneous	46,329	526,515	-	3,528,922
TOTAL REVENUES	<u>25,721,379</u>	<u>12,593,285</u>	<u>1,163,829</u>	<u>15,917,296</u>
EXPENDITURES:				
Personal Services	-	5,260,302	132,722	-
Operating	-	2,059,397	1,018,109	13,842,599
Travel	-	312,908	12,998	-
Capital Outlay	-	25,103	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>7,657,710</u>	<u>1,163,829</u>	<u>13,842,599</u>
Excess of Revenues Over Expenditures	<u>25,721,379</u>	<u>4,935,575</u>	<u>-</u>	<u>2,074,697</u>
OTHER FINANCING SOURCES (USES):				
Sales of Assets	-	1,468	-	-
Deposit to General Fund	(24,443,949)	-	-	-
Deposits To/From Common Fund	-	-	-	224,428
Operating Transfers In	422,570	-	-	-
Operating Transfers Out	(1,700,000)	(4,000,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(25,721,379)</u>	<u>(3,998,532)</u>	<u>-</u>	<u>224,428</u>
Net Change in Fund Balances	-	937,043	-	2,299,125
FUND BALANCES, JULY 1, 2004	<u>-</u>	<u>9,739,839</u>	<u>-</u>	<u>55,985,344</u>
FUND BALANCES, JUNE 30, 2005	<u>\$ -</u>	<u>\$ 10,676,882</u>	<u>\$ -</u>	<u>\$ 58,284,469</u>
FUND BALANCES CONSIST OF:				
General Cash	\$ -	\$ 14,329,040	\$ -	\$ 9,821,965
Petty Cash	-	450	-	-
NSF Items	-	749	-	-
Deposits with Vendors	-	10,601	-	-
Long-Term Investments	-	-	-	48,462,504
Due to Vendors	-	(45,788)	-	-
Carry-Over Credit	-	(3,353,311)	-	-
Sales Tax Collection	-	(12)	-	-
Premium Tax	-	(16,851)	-	-
Surplus Lines	-	(149,289)	-	-
Rec'd Not Vouchered	-	(93,707)	-	-
Due to Fund	-	(5,000)	-	-
TOTAL FUND BALANCES	<u>\$ -</u>	<u>\$ 10,676,882</u>	<u>\$ -</u>	<u>\$ 58,284,469</u>

The accompanying notes are an integral part of the schedule.

Premium & Retaliatory Tax Suspense Fund 62240	Permanent School Fund 63340	Comprehensive Health Insurance Pool Fund 72210	Total (Memorandum Only)
\$ 12,425,320	\$ -	\$ -	\$ 38,100,370
-	-	-	1,163,829
-	-	-	24,455,144
393,825	388,149	-	4,883,740
<u>12,819,145</u>	<u>388,149</u>	<u>-</u>	<u>68,603,083</u>
-	-	-	5,393,024
-	-	-	16,920,105
-	-	-	325,906
-	-	-	25,103
-	-	-	<u>22,664,138</u>
<u>12,819,145</u>	<u>388,149</u>	<u>-</u>	<u>45,938,945</u>
-	-	-	1,468
-	-	-	(24,443,949)
-	(388,149)	-	(163,721)
-	-	-	422,570
<u>(12,807,867)</u>	<u>-</u>	<u>-</u>	<u>(18,507,867)</u>
<u>(12,807,867)</u>	<u>(388,149)</u>	<u>-</u>	<u>(42,691,499)</u>
11,278	-	-	3,247,446
<u>8,390,102</u>	<u>-</u>	<u>-</u>	<u>74,115,285</u>
<u>\$ 8,401,380</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,362,731</u>
\$ 8,401,380	\$ -	\$ 9,863,982	\$ 42,416,367
-	-	-	450
-	-	-	749
-	-	-	10,601
-	-	-	48,462,504
-	-	(9,794,172)	(9,839,960)
-	-	-	(3,353,311)
-	-	-	(12)
-	-	-	(16,851)
-	-	-	(149,289)
-	-	-	(93,707)
-	-	(69,810)	(74,810)
<u>\$ 8,401,380</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,362,731</u>

NEBRASKA DEPARTMENT OF INSURANCE

NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2005

1. Criteria

The accounting policies of the Nebraska Department of Insurance 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 Department 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.

NIS also records other liabilities (primarily in the Distributive Fund Type) in an account titled Carry-Over Credit. The assets in these funds are being held by the State as an agent and will be used to pay those liabilities to individuals, private organizations, other governments, and/or other funds. The recording of those liabilities reduces the fund balance/equity. For further information of the activity recorded to those accounts for the fiscal year ended June 30, 2005, see Note 12.

The Department had accounts receivable not included in the Schedule of \$1,198,206 from insurance companies for the costs of examinations conducted by the Department. DAS did not require the Department to record their receivables on the NIS system and these amounts are not reflected in revenues or fund balances on the Schedule. The NIS system does not include liabilities for accrued payroll and compensated absences.

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

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

NEBRASKA DEPARTMENT OF INSURANCE

NOTES TO THE SCHEDULE

(Continued)

1. Criteria (Continued)

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.

60000 – Trust Funds – account for assets held by the State in a trustee capacity. Expenditures are made in accordance with the terms of the trust.

70000 – Distributive Funds – account for assets held by the State as an agent for individuals, private organizations, other governments, and/or other funds.

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

Taxes – Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. Taxes recorded as revenue for the Department consist of Insurance Premium Tax.

Intergovernmental – Revenue from other governments in the form of grants, entitlements, shared revenues, payments in lieu of taxes, or reimbursements.

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

Miscellaneous – Revenue from sources not covered by other major categories, such as investment income.

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

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

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.

NEBRASKA DEPARTMENT OF INSURANCE

NOTES TO THE SCHEDULE

(Continued)

1. Criteria (Concluded)

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

Assets – Resources owned or held by a government that have monetary value. Assets include cash accounts, deposits with vendors, and long term investments. Accounts receivable are recorded as an increase to revenues and an increase to fund balance on the schedule. Cash accounts and deposits with vendors are also included in fund balance and are reported as recorded on NIS. Long term investments (investments) are stated at fair value based on quoted market prices. Law or legal instruments may restrict these investments. Investments are under the control of the State Treasurer or other administrative bodies as determined by law.

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 liabilities recorded on NIS for the Department's funds at June 30, 2005 included Carry-Over Credit, Premium Tax, Surplus Lines, Received Not Vouchered, and Due to Fund. The activity of these accounts are not recorded on the Schedule of Revenues, Expenditures, and Changes in Fund Balances as they are not recorded through revenue and expenditure accounts. The significant activity processed on NIS through these accounts is summarized in Note 12.

Other Financing Sources – Operating transfers and proceeds of fixed asset dispositions.

2. State Agency

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

The Nebraska Department of Insurance 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.

NEBRASKA DEPARTMENT OF INSURANCE

NOTES TO THE SCHEDULE

(Continued)

4. Cash, Securities Lending, and Long Term Investments

General cash represents the cash balance as reflected on NIS. Investment of all available cash is made by the State Investment Officer on a daily basis, based on total bank balances. Investment income is distributed based on the average daily book cash balance of funds designated for investment. Interest on funds held by the State Treasurer is periodically distributed to the participating agencies. These funds are considered to be cash which is available for expenditures as needed. These funds are held in the State of Nebraska Operating Investment Pool (OIP), an internal investment pool. The investment policy of the OIP includes the objectives of:

Safety – Investments will be undertaken in a manner that seeks to ensure preservation of capital on a total return basis.

Liquidity – The OIP will remain sufficiently liquid to meet the daily cash flow needs of the State and other entities participating in the OIP.

Return on Investment – The objective is to attain a competitive income rate of return given the risk constraints and cash flow characteristics of the portfolio.

The investment strategy is to minimize short-term investments while maintaining sufficient funds to provide for required cash outflows. The investments of the OIP at June 30, 2005, include Commercial Paper, U.S Government Securities, Federal Agency Debt Instruments, Corporate Bonds, Money Market Funds, and Bank Deposits.

The Department also participates in Securities Lending transactions, where securities are loaned to broker-dealers and banks with a simultaneous agreement to return the collateral for the same securities in the future.

Long-Term Investments represent the balance as reflected on NIS. These investments are part of the Nebraska Miscellaneous Investment Pool. This is an external investment pool deposited with various investment managers. The investment strategy for the Excess Liability Fund is domestic fixed income. The investments of the Miscellaneous Trust Investment Pool at June 30, 2005 included Collateral Mortgage Obligations, Asset Backed Securities, Options, Mutual Funds, U.S. Government Securities, Federal Agency Debt Instruments, Corporate Bonds, Municipal Bonds, and Equity Securities.

Additional information on the OIP, Securities Lending, and Long-Term Investments can be found in the State of Nebraska's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2005.

NEBRASKA DEPARTMENT OF INSURANCE

NOTES TO THE SCHEDULE
(Continued)

5. Capital Assets

Under NIS, capital assets are not capitalized in the funds used to acquire or to 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 CAFR. The Department values all capital assets at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Generally, equipment that has a cost of \$1,500 or greater 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 Department 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	\$ 477,254	\$ 25,103	\$ 33,090	\$ 469,267
Less accumulated depreciation for:				
Equipment				<u>414,730</u>
Total capital assets, net of depreciation				<u>\$ 54,537</u>

6. Transfers

Based on the requirements of 2004 Neb. Laws LB 1089, Section 232, \$4,000,000 was transferred out of the Insurance Cash Fund (22210) to the General Fund. A Transfer Out of the General Fund 10000 of \$1,700,000 to the State Treasurer Mutual Finance Assistance Fund 21290 was made based on Neb. Rev. Stat. Section 77-912 R.R.S. 2003. Prepayments of \$12,807,867 were deposited into the Premium & Retaliatory Tax Suspense Fund (62240) per Neb. Rev. Stat. Section 77-918 R.R.S. 2003 and disbursed as Operating Transfers Out. \$422,570 was transferred into the General Fund as Operating Transfers In for the interest earned in the Premium and Retaliatory Tax Suspense Fund 62240 for the year.

NEBRASKA DEPARTMENT OF INSURANCE

NOTES TO THE SCHEDULE

(Continued)

7. Excess Liability Fund 62220

The Excess Liability Fund is an Enterprise Fund. The Nebraska State Treasurer maintains and has responsibility for this Fund.

Neb. Rev. Stat. Section 44-2829 R.R.S. 2004 requires all annual surcharges levied on qualified health care providers in Nebraska collected by the Department be deposited into the Fund. The Department may use money from the Fund to aid in protecting the Fund against claims. All expenses of collecting, protecting, and administering the Fund are paid from the Fund. Neb. Rev. Stat. Section 44-2832 R.R.S. 2004 requires the Director of DAS to issue a warrant drawn on the Fund in the amount of each claim submitted by the Director of the Department

Annually, the Department estimates a loss reserve amount for this Fund. At June 30, 2005, the loss reserve estimate made by the Department was \$46,000,000. Under the cash basis of accounting this amount is not reported on the financial schedule. Under the accrual basis of accounting this amount would be recorded as a liability and would reduce the fund balance.

8. Deposits to/from Common Funds

The Permanent School Fund 63340 is a common fund that is shared with several other State agencies in the Nebraska Information System. All amounts contributed to this Fund by participating State agencies are reflected in fund balances of the Fund's custodial agency, the Nebraska Board of Educational Lands and Funds. Neb. Rev. Stat. Section 44-3,127 R.R.S. 1998 requires fines and penalties collected by the Department be credited to the Permanent School Fund. Fines collected are presented in Fund 63340 as Revenue-Miscellaneous.

Deposits from common funds for the Excess Liability Fund 62220 consist of transactions posted to the State Treasurer consisting of the net of interest earnings from the Operating Investment Pool and charges for Accounting and Auditing Services.

9. Comprehensive Health Insurance Pool (CHIP) Fund 72210

Neb. Rev. Stat. Section 44-4225(2) R.R.S. 2004 created the Comprehensive Health Insurance Pool (CHIP) Distributive Fund. The Fund is used for the operation of and payment of claims made against the pool. The statute requires that "commencing with the premium and related retaliatory taxes for the taxable year ending December 31, 2001, and for each taxable year thereafter, any premium and related retaliatory taxes imposed by section 44-150 or 77-908 paid by insurers writing health insurance in this state, except as otherwise set forth in subdivisions (1) and (2) of section 77-912, shall be remitted to the State Treasurer for credit to the Fund." Any money remaining in the CHIP fund from the previous tax year collections are transferred to the General and Premium and Retaliatory Tax Suspense Funds on or before May 1 as required by Neb. Rev. Stat. Section 44-4225(5) R.R.S. 2004.

NEBRASKA DEPARTMENT OF INSURANCE

NOTES TO THE SCHEDULE

(Continued)

10. Trust Deposits

Neb. Rev. Stat. Section 44-319.02 R.R.S. 2004 requires, “Every domestic insurer hereafter organized to transact the business of insurance in this state shall deposit and continually maintain with the Department of Insurance eligible securities for the benefit of all of its policyholders in the United States in the amount of one hundred thousand dollars.”

Neb. Rev. Stat. Section 44-319.06 R.R.S. 2004 specifies that every foreign insurer or assessment association shall deposit and maintain with the Department, or with the proper official of some other state, eligible securities in the amount of not less than \$100,000 for the benefit of all of its policyholders in the United States.

Other types of insurance companies, domestic/foreign health and accident assessment associations, prepaid dental service corporations, legal expense insurers, motor clubs, prepaid limited health service organizations, etc. have varying minimum trust deposit requirements.

To meet these requirements, insurance companies either place securities in joint custody with the Department or deposit securities in an authorized depository in the State of Nebraska. At June 30, 2005, the face value of securities pledged to the Department totaled \$227,380,917. These securities are not presented in the Department’s financial schedule.

The interest received on the securities held in joint-custody is sent directly by the bank to the individual insurance companies and does not enter the State accounting system.

11. Insurance Premium Tax

Neb. Rev. Stat. Section 77-908 R.R.S. 2003 requires insurance companies that transact business in the State of Nebraska to pay Premium Taxes based on the amounts and types of insurance lines they sell during the calendar year.

Neb. Rev. Stat. Section 77-918 R.R.S. 2003 requires companies which had a Premium Tax Liability of \$4,000 or greater in the prior year to make prepayments for the current year’s Premium Taxes to the Director of the Department. Prepayments are based on the percentage of the last taxable year’s Premium Taxes or the Premium Taxes owed for the current year. Prepayments are due on April 15th, June 15th, and September 15th of each year. The final Premium Tax Payment is due on or before March 1st of the preceding year.

Total insurance premium tax prepayments received by the Director of the Department are divided in half, with one half being placed in the General Fund, 10000, and the other half being placed in the Premium and Retaliatory Tax Suspense Fund, 62240. The final tax payment, due on or before March 1st, is deposited into the Department’s Insurance Cash Fund 22210 as a liability until the final distribution is made on or before May 1st. The final tax payment is

NEBRASKA DEPARTMENT OF INSURANCE

NOTES TO THE SCHEDULE

(Continued)

11. Insurance Premium Tax (Concluded)

distributed in accordance with Neb. Rev. Stat. Section 77-912 R.R.S. 2004, Neb. Rev. Stat. Section 44-6606 R.R.S. 2004, Neb. Rev. Stat. Section 44-157 R.R.S. 2004, and Neb. Rev. Stat. Section 44-32,163 R.R.S. 2004.

The Department transfers the balance of the preceding year's prepayments deposited in the Premium and Retaliatory Tax Suspense Fund 62240 to Insurance Tax Fund 77520, on or before May 1st of each year. The Insurance Tax Fund 77520 is an agency fund that is maintained by the State Treasurer. In addition, the interest earned in the Premium and Retaliatory Tax Fund 62240 on the preceding year's prepayments is transferred to the General Fund.

12. Carry-Over Credit

Fund	Balance July 1, 2004	In	Out	Balance June 30, 2005
Insurance Cash Fund (22210)	\$ (684,118)	\$ (2,822,273)	\$ 153,080	\$ (3,353,311)

The Carry-Over Credit is insurance premium tax paid by insurance companies in excess of their premium tax liability who want the Department to hold these monies and apply them to their next year's premium tax due. As these credits are applied or earned, they are transferred to the General and Premium and Retaliatory Tax Suspense funds.

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 DEPARTMENT OF INSURANCE
**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 Department of Insurance
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 Department of Insurance for the fiscal year ended June 30, 2005, and have issued our report thereon dated December 28, 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.

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

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

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

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

In planning and performing our examination, we considered the Nebraska Department of Insurance's internal control over financial reporting in order to determine our procedures for the purpose of expressing our opinion on the schedule of revenues, expenditures, and changes in fund balances, and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Nebraska Department of Insurance's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedule. Reportable conditions are described in the Comments Section of the report as Comment Number 1 (NIS Batch Management) and Comment Number 6 (Reconciliation of Bank Records to the Nebraska Information System).

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial schedule being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nebraska Department of Insurance'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 Department of Insurance in the Comments Section of this report as Comment Number 2 (Contracts), Comment Number 3 (Travel Expenses), Comment Number 4 (Payroll and Personnel), and Comment Number 5 (Required Security Deposits).

This report is intended solely for the information and use of the Department 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. Chambers CPA in black ink.

Assistant Deputy Auditor

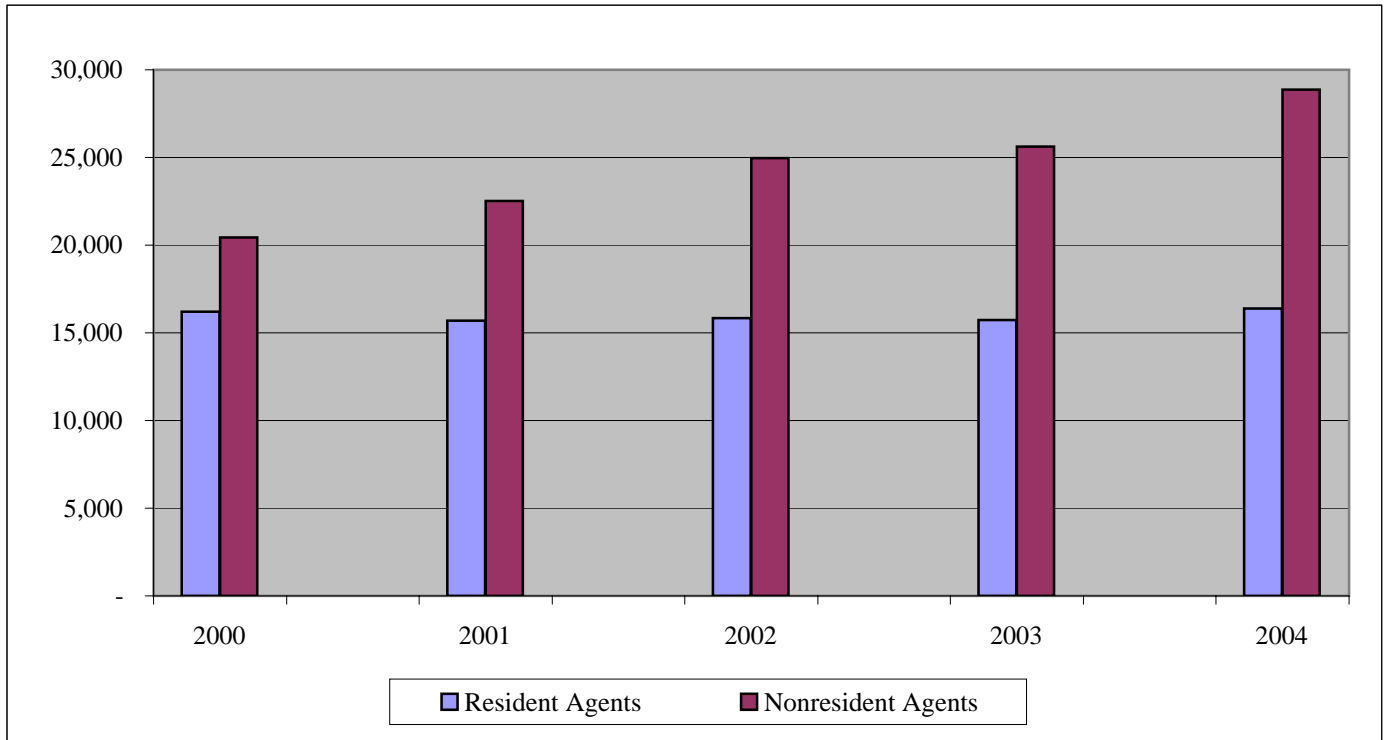
December 28, 2005

NEBRASKA DEPARTMENT OF INSURANCE

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.

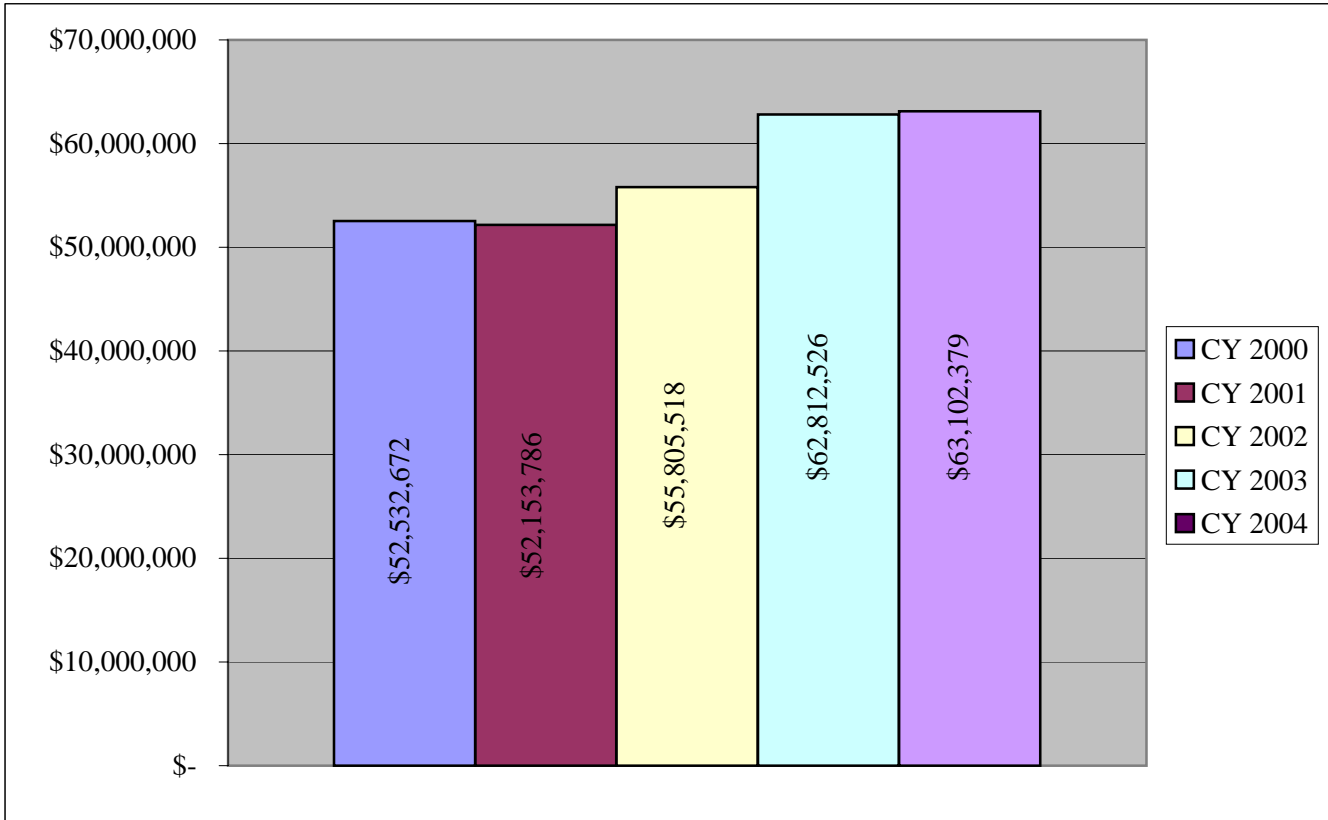
NEBRASKA DEPARTMENT OF INSURANCE
RESIDENT AND NONRESIDENT AGENTS IN NEBRASKA AND OTHER DATA
For the Calendar Year End 2004



Calendar Year	2000	2001	2002	2003	2004
Financial Examinations Completed	56	23	28	49	33
Investigation Files Opened	2,317	2,537	2,558	2,139	2,122
Investigation Files Closed	2,773	3,067	3,075	2,426	2,393
Health Policy Forms Approved	9,836	10,172	10,415	9,403	9,809
Health Ins. Rate Filings/Increases Reviewed	1,881	2,339	1,806	1,816	1,918
Property and Casualty Filings Reviewed	4,163	3,748	3,888	4,323	3,733
Active Licenses at Year End:					
Resident Agents	16,195	15,682	15,850	15,743	16,386
Nonresident Agents	20,443	22,520	24,956	25,623	28,876
Resident Consultants	192	191	191	190	185
Nonresident Consultants	31	32	30	30	38
Agent's Appointments	201,820	231,540	238,111	239,226	244,547
Insurance Agencies	5,455	5,724	5,953	6,224	6,957
Domestic Insurance Companies	128	125	127	119	116

Source: 2000-2004 Summary of Insurance Business in Nebraska

NEBRASKA DEPARTMENT OF INSURANCE
TAXES AND INTEREST INCOME DISTRIBUTED TO OTHER GOVERNMENTAL ENTITIES/FUNDS
 For the Calendar Year (CY) End 2004



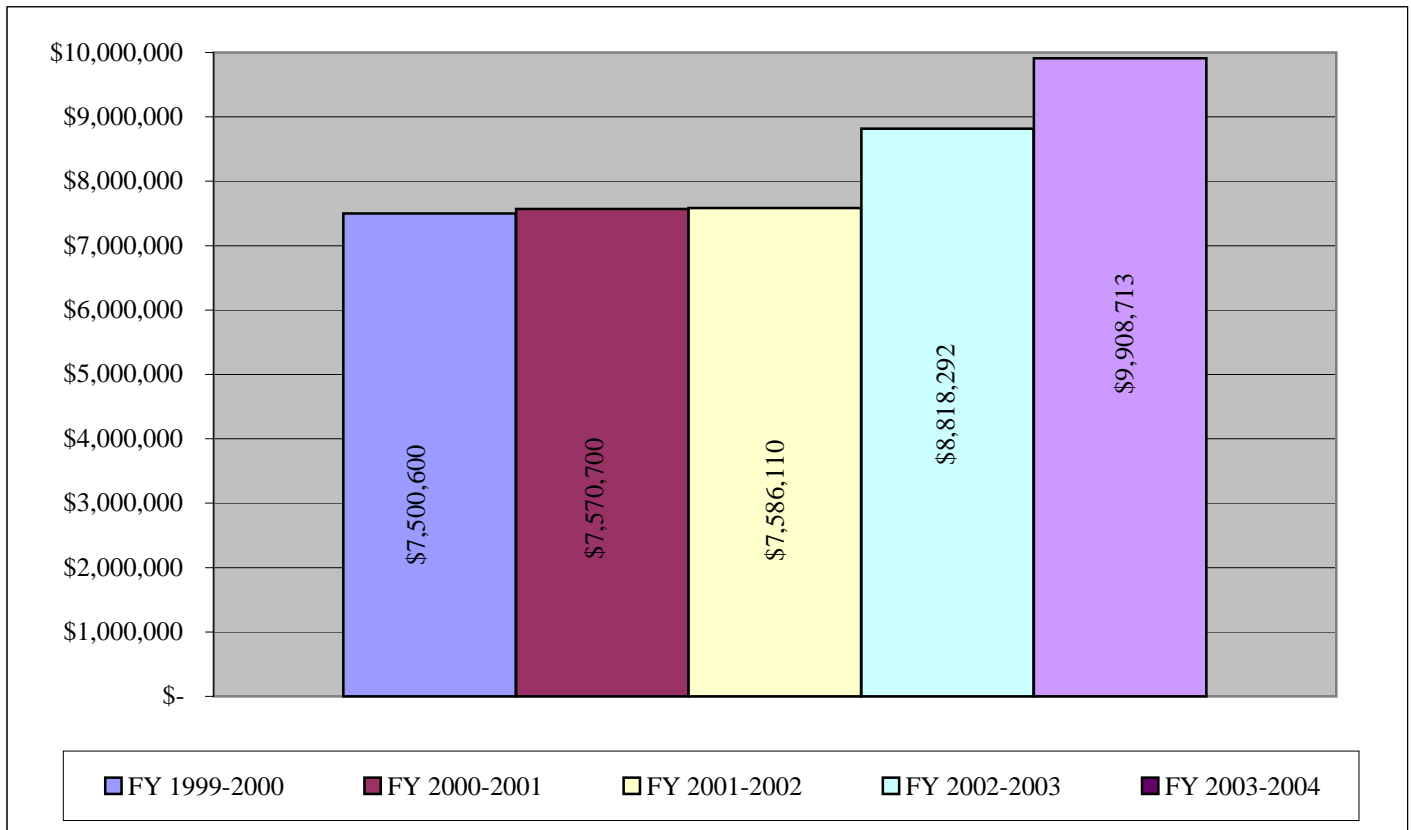
Taxes	CY 2000	CY 2001	CY 2002	CY 2003	CY 2004
Premium Tax	\$ 48,018,719	\$ 47,349,978	\$ 50,545,123	\$ 52,570,646	\$ 56,594,900
Fire Insurance Tax	1,389,660	1,678,306	1,981,315	2,312,975	2,398,028
Workers' Compensation	2,133,029	2,304,025	2,638,952	3,023,675	3,185,546
Workers' Compensation Trust Fund	28,889	-	-	4,373,876	223,815
Total Taxes	\$ 51,570,297	\$ 51,332,309	\$ 55,165,390	\$ 62,281,172	\$ 62,402,289
Interest Income from Premium					
Tax Prepayments	\$ 768,945	\$ 508,905	\$ 369,953	\$ 438,430	\$ 422,570
Late Payment Penalties and Administrative Fines*	193,430	312,572	270,175	92,924	277,520
Total Interest and Penalties	\$ 962,375	\$ 821,477	\$ 640,128	\$ 531,354	\$ 700,090
Total Revenue Distributed to Other Governmental Entities/Funds	\$ 52,532,672	\$ 52,153,786	\$ 55,805,518	\$ 62,812,526	\$ 63,102,379

*Includes Neb. Rev. Stat. Section 44-322 forfeiture amount of \$100 per day until Annual Statement submission requirements are met.

The Nebraska Department of Insurance collects taxes based on the premiums charged for insurance written in Nebraska. Tax revenue collected by the Department is distributed to other governmental units including the General Fund, the Workers' Compensation Court, School Districts, Counties, and Municipalities.

Source: 2000-2004 Summary of Insurance Business in Nebraska

NEBRASKA DEPARTMENT OF INSURANCE
FEES COLLECTED
 For the Fiscal Year (FY) Ended June 30, 2004



<u>Fees:</u>	<u>FY 1999-2000</u>	<u>FY 2000-2001</u>	<u>FY 2001-2002</u>	<u>FY 2002-2003</u>	<u>FY 2003-2004</u>
Examination Fees	\$ 1,112,104	\$ 1,250,234	\$ 924,887	\$ 1,985,624	\$ 2,469,293
Admin. Fee Professional Medical Liability	185,428	116,570	54,921	113,789	106,644
Publications/Photocopies/Fraud Conference	56,439	47,669	59,412	52,523	50,861
Agent Certification	171,085	153,055	124,289	107,288	87,143
Legal Filing Fees	10,925	8,714	7,719	12,740	13,795
Miscellaneous Fees (Filing Fees)	9,623	11,884	9,273	12,227	6,926
Admin. Fees Premium Taxes	50,835	21,545	23,273	26,656	74,723
Pre-Admission Review Fees	34,000	31,632	31,316	21,500	26,200
P&C Filing Fees	144,329	144,204	189,758	207,830	181,490
L&H Filing Fees	148,375	153,931	135,082	113,790	127,191
Fraud Fee	309,346	304,459	321,523	332,173	328,606
Certificate of Authority	798,094	744,940	762,939	823,331	845,633
Agency License	287,961	292,952	311,002	320,023	341,832
Company Appointment/Cancellation	2,702,593	2,714,218	2,987,264	2,915,108	3,408,453
Agent's License	1,329,128	1,421,268	1,490,442	1,617,325	1,684,038
Utilization Review Agents	5,400	8,700	3,600	6,900	4,750
Continuing Education Approval/Course Comp.	73,675	71,240	78,495	75,590	72,210
Reinsurance intermediary	1,750	1,500	1,250	2,350	3,500
Third Party Administrator	51,500	55,100	52,640	54,005	58,450
Pre-License Certification/Course Approval	18,010	16,885	17,025	17,520	16,975
	\$ 7,500,600	\$ 7,570,700	\$ 7,586,110	\$ 8,818,292	\$ 9,908,713

Source: 2000-2004 Summary of Insurance Business in Nebraska