

**ATTESTATION REPORT
OF THE
NEBRASKA HIGHWAY COMMISSION
JULY 1, 2004 THROUGH JUNE 30, 2005**

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Issued on February 14, 2006

NEBRASKA HIGHWAY COMMISSION

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NEBRASKA HIGHWAY COMMISSION

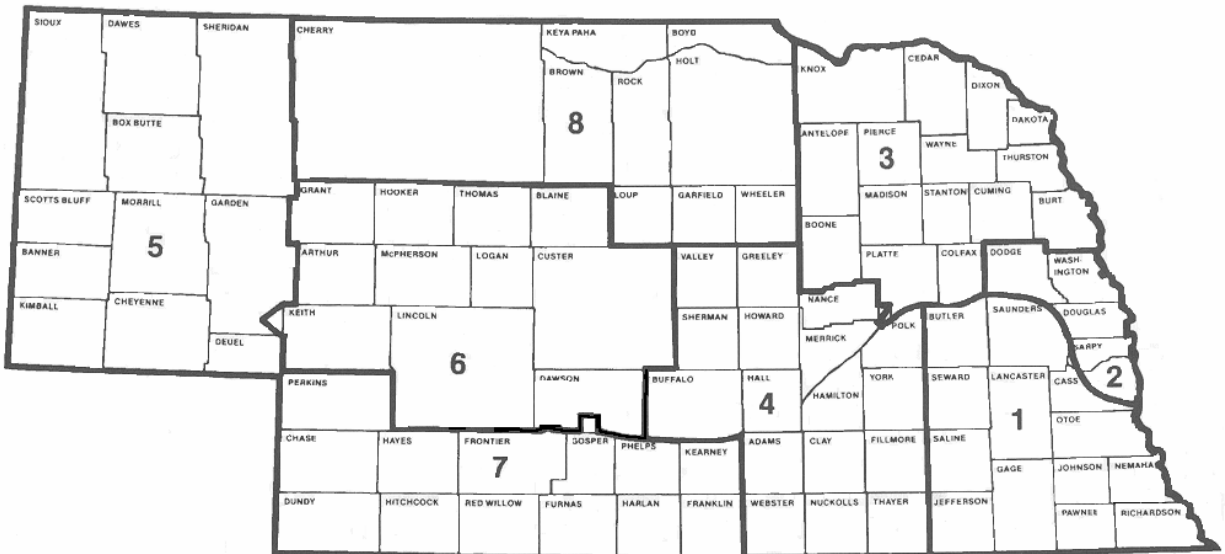
BACKGROUND

The 1953 Legislature created the seven-member State Highway Commission to advise the Director of the Department of Roads on policies to carry out the Department's duties and responsibilities. In 1987, the Legislature added another Commission member and aligned Commission districts to match Department of Roads districts. The Commission holds public hearings throughout the State to advise the public of Department policies and activities.

Commission members are appointed to six-year terms by the Governor with legislative approval. Members represent Nebraska's eight highway commission districts. Each member must be a U.S. citizen, at least 30 years old, and a resident of the district they represent for three years before appointment. No more than four Commission members may be from the same political party. The Director of the Department of Roads is an ex-officio member of the Commission and votes to break tie votes. Commission members receive \$20 a day for conducting Commission business and are reimbursed for expenses.

| Member | Represents |
|-----------------------------------|-------------------|
| Duane W. Acklie, Lincoln | District 1 |
| Ronald W. Books, North Platte | District 6 |
| Jerome Fagerland, Atkinson | District 8 |
| John Kingsbury, Ponca | District 3 |
| Doug Leafgreen, Gering | District 5 |
| Richard S. Reiser, Omaha | District 2 |
| Donna M. Wanitschke, Grand Island | District 4 |
| Greg Wolford, McCook | District 7 |
| John L. Craig, Omaha | Director of Roads |

NEBRASKA HIGHWAY COMMISSION DISTRICTS



NEBRASKA HIGHWAY COMMISSION

EXIT CONFERENCE

An exit conference was held January 19, 2006, with the Commission to discuss the results of our examination. Those in attendance for the Nebraska Highway Commission were:

| NAME | TITLE |
|-----------------|-----------------------|
| Stephen Maraman | Finance Administrator |
| Shirley Schafer | Executive Secretary |
| John Schulte | Accounting Manager |

NEBRASKA HIGHWAY COMMISSION

COMMENT AND RECOMMENDATION

During our examination of the Nebraska Highway Commission, we noted a certain matter involving the internal control over financial reporting and other operational matters which is presented here.

Commission Expenses

The Internal Revenue Service (IRS) Publication 463 requires an accountable plan to have adequate accounting of expenses. The Publication states adequate accounting requires employees to submit a statement of expense, an account book, a diary, or a similar record in which each expense is entered at or near the time of occurrence. The Publication states, "Documentary evidence ordinarily will be considered adequate if it shows the amount, date, place, and essential character of the expense." Neb. Rev. Stat. Section 81-1174 R.S. Supp., 2004 states, whenever any State employee is entitled to be reimbursed for actual expenses incurred by him or her in the line of duty, he or she shall be required to present a request for payment or reimbursement each month.

During testing of six expense reimbursement documents, we noted:

- There were two documents tested where meal logs or detailed receipts were not retained to substantiate meal expenses. The reimbursed amounts ranged from \$30 to \$37. This was also noted in the prior report.
- There was one document tested where the expense reimbursement document was not submitted monthly as required. The employee submitted three months of expenses on the document. This was also noted in the prior report.

Inadequate documentation increases the risk for possible loss or misuse of State funds. Without adequate documentation to substantiate meal expenses the State may lose its accountable plan status with the IRS. If the State does not have an accountable plan all meal expenses reimbursed to employees will become taxable income.

We recommend the Commission implement procedures to ensure meals are substantiated with itemized receipts or a meal log and the expense reimbursement form be submitted on a monthly basis.

Commissions Response: The Secretary of the State Highway Commission has been instructed to maintain a meal log, or obtain receipts to substantiate meal expense reimbursements. A follow up will be made to ensure proper documentation is received for future meal expense claims.

NEBRASKA HIGHWAY COMMISSION

COMMENT AND RECOMMENDATION

(Continued)

It should be noted this report is critical in nature as it contains only our comment and recommendation on the area noted for improvement.

Draft copies of this report were furnished to the Commission to provide them an opportunity to review the report and to respond to the comment and recommendation included in this report. The formal response received has been incorporated into this report. The response has been objectively evaluated and recognized, as appropriate, in the report. A response that indicates corrective action has been taken was 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.

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NEBRASKA HIGHWAY COMMISSION

INDEPENDENT ACCOUNTANT'S REPORT

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Nebraska Highway Commission
Lincoln, Nebraska

Don Dunlap, CPA
Asst. Deputy Auditor
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We have examined the accompanying schedule of expenditures of the Nebraska Highway Commission (Commission) for the fiscal year ended June 30, 2005. The Commission's management is responsible for the schedule of expenditures. Our responsibility is to express an opinion based on our examination.

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

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In our opinion, the schedule referred to above presents, in all material respects, the expenditures of the Nebraska Highway Commission 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
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Review Coordinator
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In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2006, on our consideration of the Nebraska Highway Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the

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internal control over financial reporting or on compliance. That report is an integral part of an attestation engagement performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our examination.

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

Pat Reding, CPA

Assistant Deputy Auditor

January 19, 2006

NEBRASKA HIGHWAY COMMISSION
SCHEDULE OF EXPENDITURES
For the Fiscal Year Ended June 30, 2005

| | |
|--------------------|------------------|
| EXPENDITURES: | |
| Personal Services | \$ 62,739 |
| Operating | 4,865 |
| Travel | 22,682 |
| TOTAL EXPENDITURES | <u>\$ 90,286</u> |

The accompanying notes are an integral part of the schedule.

NEBRASKA HIGHWAY COMMISSION

NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2005

1. Criteria

The accounting policies of the Nebraska Highway Commission are on the basis of accounting as prescribed by the State of Nebraska Department of Administrative Services (DAS).

Per Neb. Rev. Stat. Section 81-1107(2) R.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 expenditures for the Commission was obtained from the Roads Payment System and verified to NIS. NIS records accounts payable as transactions occur. As such 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 major expenditure object account titles established by NIS used by the Commission are:

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

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

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

2. Reporting Entity

The Nebraska Highway Commission (Commission) is legislatively established under and governed by the laws of the State of Nebraska. As such, the Commission is exempt from State and Federal income taxes. The schedule includes all expenses of the Commission.

The Nebraska Highway Commission is part of the primary government for the State of Nebraska.

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NEBRASKA HIGHWAY COMMISSION REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN EXAMINATION OF THE SCHEDULE OF EXPENDITURES PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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Legal Counsel
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Nebraska Highway Commission
Lincoln, Nebraska

We have examined the accompanying schedule of expenditures of the Nebraska Highway Commission for the fiscal year ended June 30, 2005, and have issued our report thereon dated January 19, 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.

Internal Control Over Financial Reporting

In planning and performing our examination, we considered the Nebraska Highway Commission's internal control over financial reporting in order to determine our procedures for the purpose of expressing our opinion on the schedule of expenditures 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

We noted an additional item that we reported to management of the Nebraska Highway Commission in the Comments Section of this report as Commission Expenses.

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

Pat Reding, CPA

Assistant Deputy Auditor

January 19, 2006

NEBRASKA HIGHWAY COMMISSION

STATISTICAL SECTION

Our examination was conducted for the purpose of forming an opinion on the schedule of expenditures. 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 expenditures and, accordingly, we express no opinion on it.

NEBRASKA HIGHWAY COMMISSION
EXPENDITURES BY COMMISSIONER
For the Fiscal Year Ended June 30, 2005

| | <u>Per Diems</u> | <u>Operating</u> | <u>Travel</u> | Total |
|--------------------------------|------------------------------|------------------|------------------|------------------|
| Duane Acklie, Lincoln | \$ 340 | \$ - | \$ 182 | \$ 522 |
| Ronald Books, North Platte | 680 | - | 3,880 | 4,560 |
| Jerome Fagerland, Atkinson | 440 | - | 1,929 | 2,369 |
| John Kingsbury, Ponca | 500 | - | 1,933 | 2,433 |
| Doug Leafgreen, Gering | 480 | - | 4,736 | 5,216 |
| Richard Reiser, Omaha | 440 | - | 807 | 1,247 |
| Donna Wanitschke, Grand Island | 540 | - | 886 | 1,426 |
| Greg Wolford, McCook | 540 | - | 2,412 | 2,952 |
| | <u>Salary & Benefits</u> | | | |
| Commission Secretary | 58,779 | - | 353 | 59,132 |
| Other | - | 4,865 | 5,564 | 10,429 |
| TOTAL EXPENDITURES | <u>\$ 62,739</u> | <u>\$ 4,865</u> | <u>\$ 22,682</u> | <u>\$ 90,286</u> |