

**ATTESTATION REPORT
OF THE
NEBRASKA WHEAT DEVELOPMENT,
UTILIZATION, AND MARKETING BOARD**

JULY 1, 2004 THROUGH JUNE 30, 2005

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Issued on June 6, 2006

NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
AND MARKETING BOARD

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NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
AND MARKETING BOARD

BACKGROUND

The Nebraska Wheat Development, Utilization, and Marketing Board (Board) was created to protect and foster the economic health of the State's wheat-producing areas and wheat economy stated as public policy under the Nebraska Wheat Resources Act. This public policy guides the Board in establishing its overall policy, annual marketing plan, goals and objectives, and program priorities. The Board also evaluates wheat market developments worldwide to meet these goals.

The Board takes actions to strengthen the position of Nebraska wheat growers in the marketplace by working to improve U.S. grain standards, farm and trade policy, and chances for increased trade, and to eliminate Federal actions that help foreign competition.

The Board is composed of seven members appointed to five-year terms by the Governor. The members of the Board shall be citizens of Nebraska, shall be at least twenty-one years of age, shall have been engaged in growing wheat in the State for at least five years, and shall derive a substantial portion of their income from growing wheat. The Director of Agriculture and the Vice Chancellor of the University of Nebraska Institute of Agriculture and Natural Resources shall serve as nonvoting, ex-officio members of the Board.

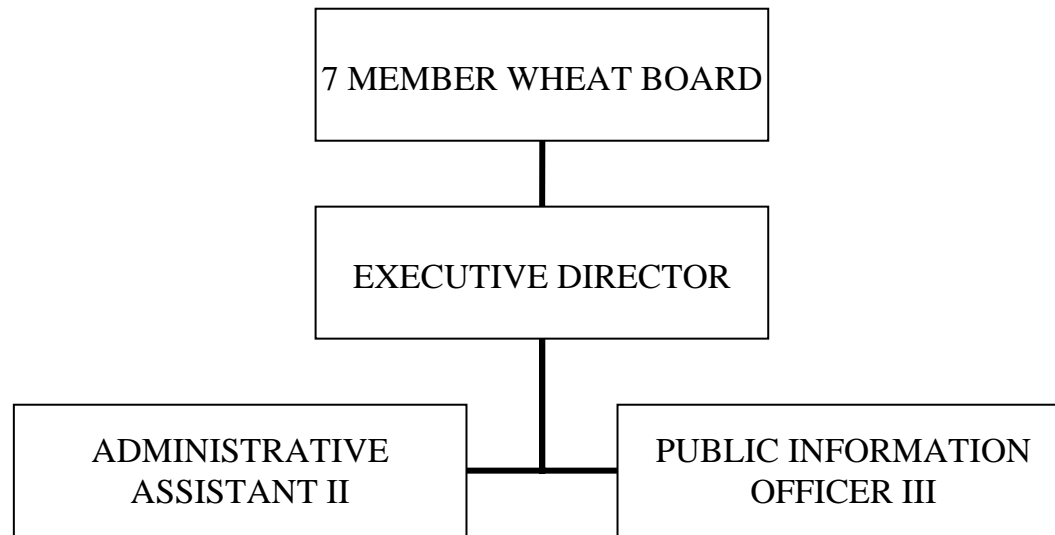
The Board's programs are financed solely by the State's 1.25 cent per bushel assessment on all wheat marketed in the State.

MISSION STATEMENT

It is the public policy of the State of Nebraska for the Nebraska Wheat Development, Utilization, and Marketing Board to protect and foster the health, prosperity, and general welfare of its people by protecting and stabilizing the wheat industry and the economy of the areas of the State producing wheat.

NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
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ORGANIZATIONAL CHART



NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
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EXIT CONFERENCE

An exit conference was held April 25, 2006, with the Board to discuss the results of our examination. Those in attendance for the Nebraska Wheat Development, Utilization, and Marketing Board were:

NAME	TITLE
Pat Nelson	Board Chair
Donna Sturdy	Administrative Assistant
Robert Storant	Accounting and Finance Manager, Department of Agriculture

NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
AND MARKETING BOARD

SUMMARY OF COMMENTS

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

1. ***Substantiation of Expenses/Purchasing Card:*** The Board purchasing card was used to pay one vendor for a charter flight to Cuba, lodging, medical insurance, a guide and translator, consultant, and charter fees. The Board did not obtain an invoice to support the expense to this vendor for \$6,635.
2. ***Meal Expenses of Non-State Employees:*** The Board sponsored a conference for Hard White Wheat with Colorado and Kansas. Food and meals were provided for non-state employees in the amount of \$711. The Board also paid for meals for members of an Ecuadorian Trade Team, members of farmers' cooperatives, and others, in the amount of \$442. These expenses did not have a documented business purpose.
3. ***Travel Expenses:*** Four of eight documents tested included meals that exceeded the GSA Federal per diem guideline per place of travel. One of ten documents tested did not include adequate documentation to support the purpose of travel for the Director.
4. ***Incorrect Leave Accrual:*** One employee tested incorrectly accrued sick leave.
5. ***Lack of Segregation of Duties Over Fixed Assets:*** One employee performed nearly all activities within the fixed asset function on the Nebraska Information System (NIS), without adequate compensating controls. The Board reviewed the Unposted Fixed Asset Transactions Report annually, but did not review other reports to ensure assets were properly added to or deleted from NIS.
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.

Draft copies of this report were furnished to the Board to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. All formal responses received have been incorporated into this report. Where no response has been included, the Board declined to respond. Responses have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were not verified at this time, but will be verified in the next examination.

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

NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
AND MARKETING BOARD

COMMENTS AND RECOMMENDATIONS

1. Substantiation of Expenses/Purchasing Card

Neb. Rev. Stat. Section 81-118.02(4) R.R.S. 1999 states, “An itemized receipt for purposes of tracking expenditures shall accompany all state purchasing card purchases. In the event that an itemized receipt does not accompany such a purchase, the Department of Administrative Services shall have the authority to temporarily or permanently suspend state purchasing card purchases in accordance with rules and regulations adopted and promulgated by the department.” Per the Nebraska State Purchase Card Manual, the cardholder’s responsibilities include obtaining a receipt for every purchase and attaching the receipts to the monthly cardholder statement. Also, per the Nebraska State Purchase Card Manual, paying for lodging while traveling on State business is an unacceptable use of the card. Good internal control also requires original receipts to be on file for subsequent inspection.

The Board sent four representatives to Cuba with the Governor. The Board purchasing card was used to pay one vendor for a charter flight to Cuba, lodging, medical insurance, a guide and translator, a consultant, and charter fees. The Wheat Board did not obtain an invoice to support the expense to this vendor for \$6,635. As noted, the expense included lodging, which is not an acceptable use of the card.

Without adequate documentation on file to support expenditures, there is an increased risk of misuse of State funds.

We recommend the Board implement procedures to ensure compliance with statutes and policies of the State purchasing card and all purchases are supported by adequate documentation.

Board’s Response: Because of the time constraints involved after the travel decision was made, the purchasing card was used instead of having the charter company bill the agency. Numerous attempts have been made to obtain an itemized invoice from the company. We will obtain appropriate documentation for all future purchases.

2. Meal Expenses of Non-State Employees

According to Neb. Rev. Stat. Section 2-2309 R.R.S. 1997, the Board shall have the power to formulate the general policies and programs of the State of Nebraska respecting the discovery, promotion, and development of markets and industries for the utilization of wheat grown within the State of Nebraska.

Nebraska State Accounting Manual, AM-005, General Policies, Section 1, states, “Agencies, boards, and commissions may sponsor conferences and pay conference expenses of anyone who

NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
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COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Meal Expenses of Non-State Employees** (Continued)

is NOT an employee of the state, if sufficient money is collected from such person, or other non-State sources, to cover personal maintenance expenses, including meals and nonalcoholic beverages.” Good internal control requires procedures to ensure expenses paid for non-State employees have a documented business purpose.

There were two instances in which the Board paid expenses of non-State employees without a documented business purpose, as follows:

- The Board co-sponsored a conference for Hard White Wheat with Colorado and Kansas. The conference included food and meals for non-State employees without charging to recover the costs of such expenses. The Board paid one-third of the total bill, which included \$711 for food expenses. The Board also did not maintain the actual sign-in sheet to document conference attendees or otherwise document the business purpose of the meals.
- The Board also hosted an Ecuadorian Trade Team mission to Nebraska. The Board paid for meals for members of the trade team, members of farmers’ cooperatives, and others. There was no documentation to support the business purpose for these meals. The Board paid \$215 for lunch and \$227 for dinner.

Without procedures to ensure there is a documented business purpose for meal expenses of non-State employees, there is an increased risk of misuse of State funds.

We recommend the Board implement procedures to ensure there is a documented business purpose for meal expenses paid for non-State employees.

Board’s Response: The Nebraska Wheat Board feels both of the dinners listed were for the documented business purpose of promotion and development of markets for Nebraska Wheat. The Colby, Kansas meeting was held in conjunction with neighboring states for the stated purpose of promoting the production of Hard White wheat to satisfy the market demand. The meeting was a panel discussion involving speakers various segments of the wheat industry with time allowed after each panel for questions from producers and answers from industry experts. The original sign-in logs were compiled into an Excel document and distributed to the partnering states. Since records of the attendees have been maintained, we were not aware of the need for the original notebook pages. Although no current state manual requires the original logs be maintained, the Nebraska Wheat Board will maintain future sign-in logs as the State Auditor’s best practices recommend.

NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
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COMMENTS AND RECOMMENDATIONS

(Continued)

2. Meal Expenses of Non-State Employees (Concluded)

Board's Response, Concluded:

In regards to the Ecuadorian Trade Team, the Nebraska Wheat Board partners with U.S. Wheat Associates and other member states, to bring foreign flour millers, purchasers, bakers and other industry leaders to the U.S. and Nebraska for the purpose of educating the foreign market on the consistent, reliable quality of Nebraska wheat. We do that by bringing the foreign visitors together with Nebraska producers, elevator operators, grain traders, wheat researchers and others. It is a recognized market strategy that personnel relationships build a better market.

APA's Response: The State Accounting Manual provides the policy related to State-agency sponsored conferences. Paying for expenses of non-State employees does not appear to be allowed under these policies, unless sufficient money is collected. However, since the Board is charged with promoting the Wheat industry in Nebraska, these expenses may be allowed, with adequate documentation to support the business purpose. We did not feel either trip noted had adequate documentation to support the business purpose.

3. Travel Expenses

Good internal control requires procedures to ensure travel expenses are reasonable and necessary expenses. Meals are considered reasonable if they are within the General Services Administration (GSA) Federal per diem guidelines per place of travel. There are guidelines established per day and per meal. Good internal control also requires that the purpose of all travel is adequately documented.

Four of eight documents tested included meals that exceeded the GSA Federal per diem guideline per place of travel.

- One document included a \$59 dinner.
- One document included four days that exceeded the daily guideline from \$12 to \$25 per day.
- One document included four days that exceeded the daily guideline from \$7 to \$23 per day.
- One document included three days that exceeded the daily guideline from \$9 to \$16 per day.

Additionally, one of ten documents tested did not include adequate documentation to support travel for two of four State vehicle trips. The Director traveled to various places in Nebraska to attend conferences sponsored by the University of Nebraska, Board meetings, and to meet with elevators' business managers to discuss the promotion, production, market, and profitability of Hard White Wheat. The Director also traveled to Kansas City to attend a Wheat Quality

NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
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COMMENTS AND RECOMMENDATIONS

(Continued)

3. Travel Expenses (Concluded)

meeting. Not all meetings were supported by adequate documentation and were simply noted in the Director's date book. There was no documentation to indicate these meetings were discussed with the Board.

Without adequate procedures to ensure expense reimbursements and travel are reasonable and necessary, there is an increased risk of misuse of State funds. There is also an increased risk for misuse of State vehicles without adequate documentation to support the Director's travel.

We recommend the Board implement procedures to ensure only reasonable and necessary expenses are reimbursed for meals. We also recommend the Board ensure either the purpose of the Director's travel is adequately documented or the travel is reported to the Board.

Board's Response: The meal reimbursements above the GSA per diem guidelines included receipts documenting the cost of the meals. As the auditors confirmed the national meeting was held at a remote location with no other reasonable restaurant alternatives. The state accounting manual does provide for the actual cost of the meal reimbursement with adequate documentation, which was provided.

The employee description of the executive director requires the director to represent the Nebraska Wheat Board and industry at University and industry conferences, board meetings and meetings with elevators managers and others for the promotion and market development of the wheat industry. The Nebraska Wheat Board does require reports and approval for travel. All future travel is listed on calendars and approved at board meetings. In the future we will ensure the travel calendars are included in the official Board minutes.

APA's Response: Although these meals complied with the accounting policies, we feel meals exceeding the Federal per diem guidelines are unreasonable expenses. It was noted another Board member on the same trip was able to stay within the Federal per diem guidelines. Additionally, approving future travel plans is not adequate to support the travel expenses of the Director, since there is no verification the travel actually occurred. The Board should document their review of the Director's travel after the travel has occurred.

4. Incorrect Leave Accrual

State Personnel Rules and Regulations Title 273 NAC 9-005 states that all employees with 19 or more years of service should earn 240 hours per year or 20 hours per month of sick leave.

NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
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COMMENTS AND RECOMMENDATIONS

(Continued)

4. Incorrect Leave Accrual (Concluded)

One employee tested incorrectly accrued sick leave. The employee was previously covered under a labor contract before being hired by the Board; therefore, the employee was earning leave at a different rate and had a different leave plan ID on NIS. This was not adjusted upon hire at the Board. The error amounted to 8 hours per month for approximately 22 months. As of February 28, 2006, the employee should have approximately 176 additional hours of sick leave.

Without procedures to ensure employees earn the correct leave, there is an increased risk employees may incorrectly accrue leave.

We recommend the Board implement procedures to ensure all employees are accurately earning leave, adjust the sick leave balance for the employee tested, and correct the employee's leave plan ID on NIS so that leave is properly accrued in the accounting system.

Board's Response: The Nebraska Wheat Board has recently contracted with the Nebraska Department of Agriculture to assist with accounting, personnel and financial transactions.

5. Lack of Segregation of Duties Over Fixed Assets

Good internal control requires an adequate segregation of duties to ensure no one individual is in a position both to perpetrate and conceal errors or irregularities. If an adequate segregation of duties is not possible, then good internal control requires procedures to ensure compensating controls are implemented to reduce the risk of loss or theft of State property.

One employee performed nearly all activities within the fixed asset function on NIS, without adequate compensating controls. The Board reviewed the Unposted Fixed Asset Transactions Report annually, but did not review other reports to ensure assets were properly added to or deleted from NIS. A similar finding was noted in the prior audit report.

Without an adequate segregation of duties or compensating controls over the fixed asset process, there is an increased risk of loss or theft of State property.

We recommend the Board ensure an adequate segregation of duties exists so no one individual is in a position to both perpetrate and conceal errors or irregularities. If an adequate segregation of duties is not possible, due to limited staff, we recommend the Board develop appropriate compensating controls. These controls would include procedures to perform and document an independent review of the NIS fixed asset integrity reports.

NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
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COMMENTS AND RECOMMENDATIONS

(Continued)

5. Lack of Segregation of Duties Over Fixed Assets (Concluded)

Board's Response: Due to the very small office staff, segregation of duties is often impractical. Although there is a lack of segregation of duties no irregularities appeared. The Nebraska Wheat Board will review NIS Fixed Asset reports semi-annually to ensure proper control.

6. Reconciliation of Bank Records to the Nebraska Information System

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 the Nebraska Information System (NIS) and the Nebraska Accounting System (NAS), system before NIS). This has been an issue for the Department of Administrative Services Accounting Division (State Accounting) for many years. The APA's previous comments 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 State Accounting 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 December 19, 2005, to be as follows:

State Accounting has worked on the reconciliation process, but continued progress is needed. State Accounting's reconciliation process has developed into a very detailed process of analyzing bank activity, compared to activity recorded on NIS, to identify reconciling items. State Accounting has completed their reconciliation process for the months of July of 2004, and May, June, and July of 2005. The APA has reviewed these reconciliations. The months of May, June, and July show variances of \$3,425,381, \$3,405,702, and \$3,405,862, respectively. Again, the reconciliations show the bank being short compared to the accounting records. Per inquiry of management, State Accounting has started the reconciliation process for various months of the fiscal year ended June 30, 2006; however, the reconciliation process has not been a continuous monthly process and no monthly reconciliation has been completed since July of 2005.

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 NIS, there is a greater risk for fraud and errors to occur and to remain undetected.

NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
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COMMENTS AND RECOMMENDATIONS

(Continued)

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

Although State Accounting has worked on the reconciliation process, the process is still not done in a timely manner. 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.

We recommend State Accounting 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 State Accounting; 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.

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NEBRASKA WHEAT DEVELOPMENT, UTILIZATION, AND MARKETING BOARD

INDEPENDENT ACCOUNTANT'S REPORT

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Nebraska Wheat Development, Utilization, and Marketing Board
Lincoln, Nebraska

Don Dunlap, CPA
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We have examined the accompanying schedule of revenues, expenditures, and changes in fund balance of the Nebraska Wheat Development, Utilization, and Marketing Board (Board) for the fiscal year ended June 30, 2005. The Board's management is responsible for the schedule of revenues, expenditures, and changes in fund balance. Our responsibility is to express an opinion based on our examination.

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

Mary Avery
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In our opinion, the schedule referred to above presents, in all material respects, the revenues, expenditures, and changes in fund balance of the Nebraska Wheat Development, Utilization, and Marketing Board 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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In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2006, on our consideration of the Nebraska Wheat Development, Utilization, and Marketing Board'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 Board 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

April 25, 2006

NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
AND MARKETING BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2005

	Nebraska Wheat, Development, Utilization, and Marketing Fund 29500
REVENUES:	
Taxes	\$ 820,740
Miscellaneous	33,845
TOTAL REVENUES	854,585
EXPENDITURES:	
Personal Services	114,716
Operating	699,836
Travel	41,154
Capital Outlay	3,414
TOTAL EXPENDITURES	859,120
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,535)
OTHER FINANCING SOURCES (USES):	
Sales of Assets	164
TOTAL OTHER FINANCING SOURCES (USES)	164
Net Change in Fund Balance	(4,371)
FUND BALANCE, JULY 1, 2004	926,433
FUND BALANCE, JUNE 30, 2005	\$ 922,062
FUND BALANCE CONSISTS OF:	
General Cash	\$ 919,448
Deposits with Vendors	2,614
TOTAL FUND BALANCE	\$ 922,062

The accompanying notes are an integral part of the schedule.

NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
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NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2005

1. Criteria

The accounting policies of the Nebraska Wheat Development, Utilization, and Marketing Board 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 balance for the Board 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 Board had no accounts receivable at June 30, 2005. The NIS system does not include liabilities for accrued payroll and compensated absences.

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

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.

The major revenue object account codes established by NIS used by the Board 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 Board consists of an excise tax of one and one-fourth cents per bushel upon all wheat sold through commercial channels in the State of Nebraska.

NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
AND MARKETING BOARD

NOTES TO THE SCHEDULE
(Continued)

1. Criteria (Concluded)

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 Board are:

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

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

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

Capital Outlay – Expenditures which result in the acquisition of or an addition to capital assets. Capital assets are resources of a long-term character, owned or held by the government.

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

Assets – Resources owned or held by a government that have monetary value. Assets include cash accounts and deposits with vendors. Cash accounts and deposits with vendors are also included in fund balance and are reported as recorded on NIS.

Liabilities – Legal obligations arising out of transactions in the past that must be liquidated, renewed, or refunded at some future date. Accounts payable transactions increase expenditures and decrease fund balance.

Other Financing Sources – Proceeds of fixed asset dispositions.

2. State Agency

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

The Nebraska Wheat Development, Utilization, and Marketing Board is part of the primary government for the State of Nebraska.

NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
AND MARKETING BOARD

NOTES TO THE SCHEDULE
(Continued)

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 Board 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 \$150 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 Board 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	\$ 28,688	\$ 3,414	\$ 6,789	\$ 25,313
Less accumulated depreciation for:				
Equipment				<u>21,391</u>
Total capital assets, net of depreciation				<u>\$ 3,922</u>

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**NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
AND MARKETING BOARD
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 BALANCE PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

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We have examined the accompanying schedule of revenues, expenditures, and changes in fund balance of the Nebraska Wheat Development, Utilization, and Marketing Board for the fiscal year ended June 30, 2005, and have issued our report thereon dated April 25, 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.

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In planning and performing our examination, we considered the Nebraska Wheat Development, Utilization, and Marketing Board'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 balance, and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Nebraska Wheat Development, Utilization, and Marketing Board's ability to record, process, summarize, and report financial

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data consistent with the assertions of management in the financial schedule. A reportable condition is described in the Comments Section of the report as Comment Number 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 the reportable condition described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nebraska Wheat Development, Utilization, and Marketing Board's schedule of revenues, expenditures, and changes in fund balance, 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 Wheat Development, Utilization, and Marketing Board in the Comments Section of this report as Comment Number 1 (Substantiation of Expenses/Purchasing Card), Comment Number 2 (Meal Expenses of Non-State Employees), Comment Number 3 (Travel Expenses), Comment Number 4 (Incorrect Leave Accrual), and Comment Number 5 (Lack of Segregation of Duties Over Fixed Assets).

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

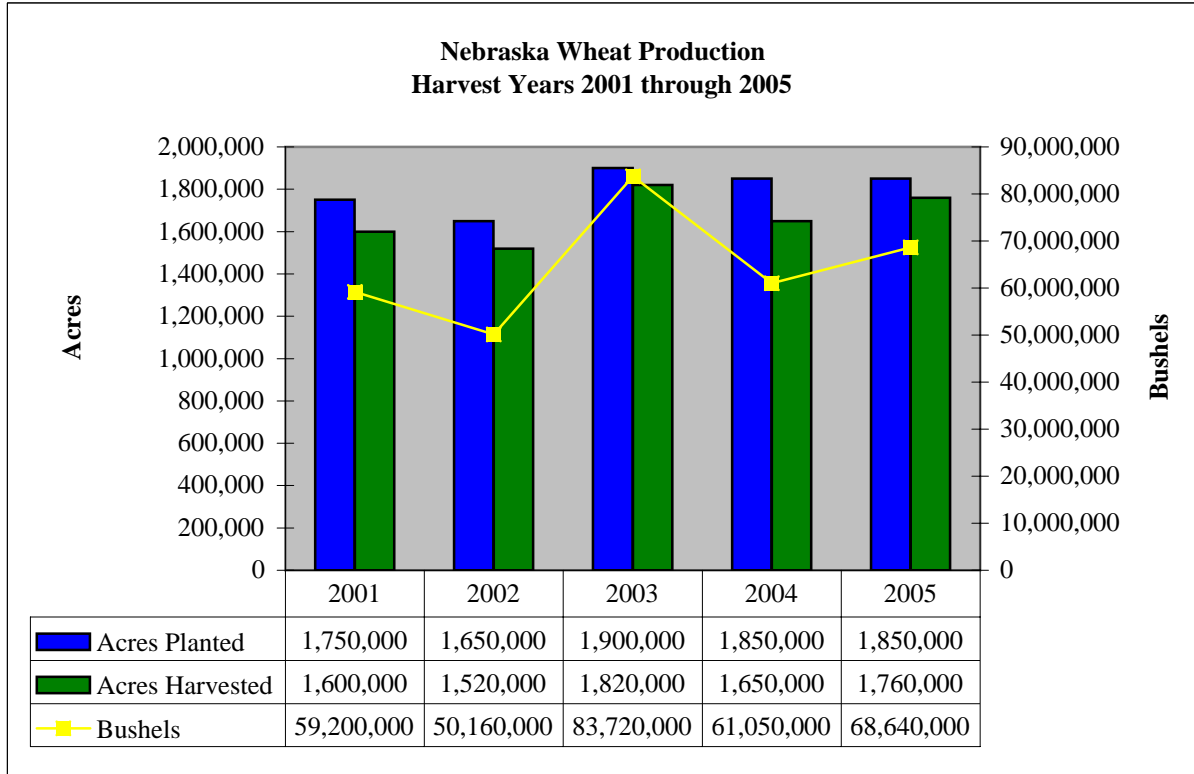
April 25, 2006

NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
AND MARKETING BOARD

STATISTICAL SECTION

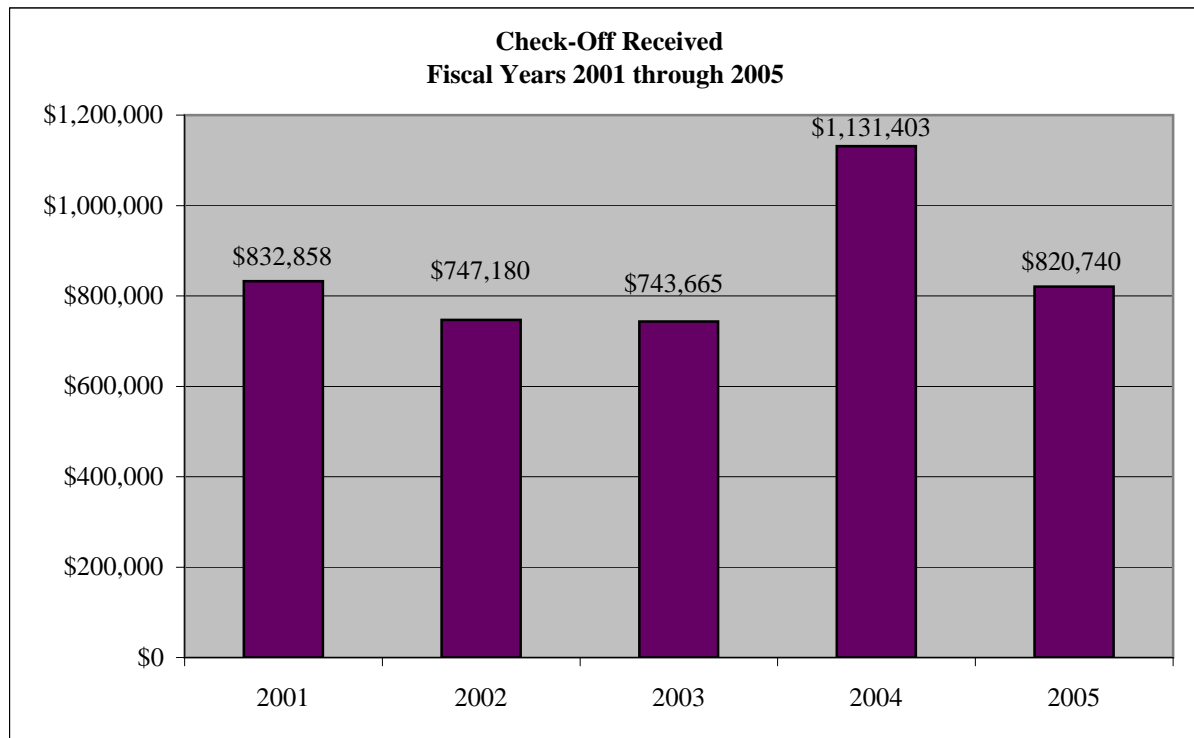
Our examination was conducted for the purpose of forming an opinion on the schedule of revenues, expenditures, and changes in fund balance. Statistical Section information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination of the schedule of revenues, expenditures, and changes in fund balance, and, accordingly, we express no opinion on it.

**NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
AND MARKETING BOARD**



Source: U.S. Department of Agriculture, National Agricultural Statistics Service website.

Note: The year represents when the wheat was harvested.



NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
AND MARKETING BOARD

**SCHEDULE OF CONTRACT PAYMENTS
Fiscal Year 2005**

The Board used approximately 76% of its disbursements for contractual services. The largest payments were made to the following entities:

Kansas State University	\$	15,000
National Assn of Wheat Growers		30,000
Nebraska Wheat Growers Assn		66,034
Nebraska Grain & Feed Association		15,000
University of Nebraska - Lincoln		183,295
US Wheat Associates Inc		207,005
Wheat Foods Council		30,505
Wheat Marketing Center		76,023
Other	;	32,222
Total	\$	655,084

