ATTESTATION REPORT
OF THE
NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

JULY 1, 2004 THROUGH JUNE 30, 2005

Issued on April 14, 2006

NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

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BACKGROUND

In 1957, the Legislature created the Nebraska State Board of Public Accountancy comprised of eight members appointed by the Governor. Six of the eight members must be certified public accountants and two members must be laypersons. In addition, two certified public accountant members must reside in each congressional district.

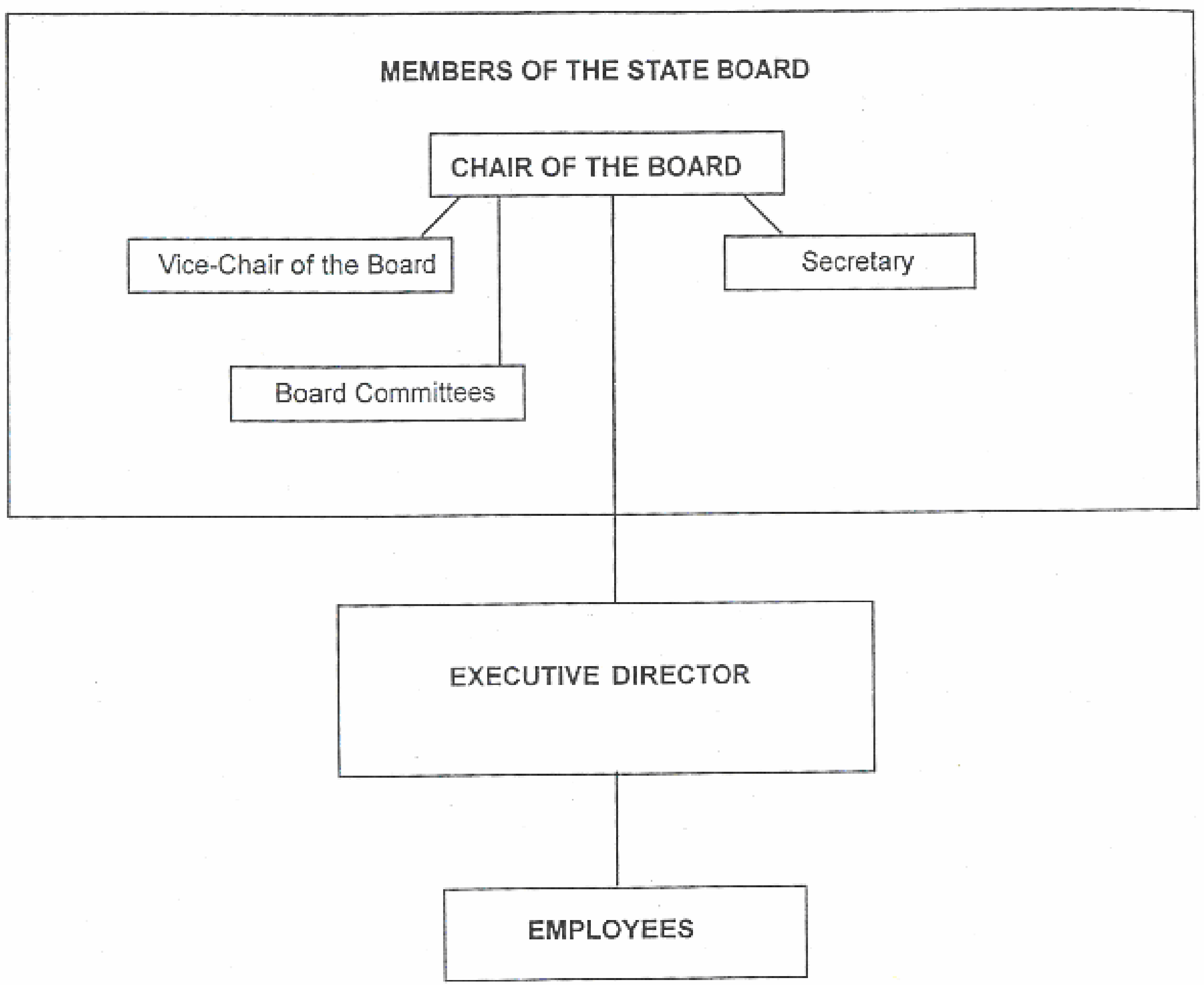
The Board issues permits to practice public accountancy to certified public accountants, public accountants, partnerships, limited liability companies, and professional corporations; oversees the Certified Public Accountants (CPA) Computerized Based Test (CBT) examination; requires continuing professional education programs for licensed accountants; monitors compliance by licensed accountants with professional standards and investigates complaints registered with the Board. The Board's operations are financed solely by registration, permit, and examination fees collected.

MISSION STATEMENT

To protect the welfare of the citizens of the State by assuring the competency of licensed accountants. To serve the needs of the public accountancy membership by assisting them in complying with Nebraska law and Board-promulgated rules and regulations.

NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

ORGANIZATIONAL CHART



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EXIT CONFERENCE

An exit conference was held March 24, 2006, with the Board to discuss the results of our examination. Those in attendance for the Nebraska Board of Public Accountancy were:

NAME	TITLE
H. Dean Graf, CPA	Board Chair (By Teleconference)
William C. Nuckolls	Board Secretary
Dan Sweetwood	Executive Director
Kelly Ebert	Administrative Assistant

SUMMARY OF COMMENTS

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

1. ***Fines and Penalties:*** The Board deposited their fines and penalties in accordance with the requirement of the Board's State Statute, which is in apparent conflict with the Nebraska Constitution.

2. ***Receipt Controls*****:** Controls over the Board's receipt process could be improved.

3. ***Cash Fund Balance/Support for Cost of Fees*****:** The Board's cash fund balance continues to increase and the support for cost of fees could be improved.

4. ***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.

COMMENTS AND RECOMMENDATIONS

1. Fines and Penalties

The Nebraska Constitution Article VII, Section 5 (1) states, ". . . all fines, penalties, and license money arising under the general laws of the state . . . shall belong and be paid over to the counties respectively where the same may be levied or imposed . . . All such fines, penalties, and license money shall be appropriated exclusively to the use and support of the common schools in the respective subdivisions where the same may accrue . . ."

Neb. Rev. Stat. Section 79-1035.01 R.R.S. 2003 created the Permanent School Fund and states the principal balance of the fund "shall be held and invested in perpetuity by the state in trust for the support of its common schools. The annual interest and other income, but not the principal, is subject to use for the support and maintenance of the common schools in each public school district of the state as the Legislature provides in accordance with Article VII, Section 9, of the Constitution of Nebraska."

Neb. Rev. Stat. Section 1-111 (2) R.R.S. 1997 requires the Board to remit to the State Treasurer all civil penalties collected for the credit to the Permanent School Fund.

The Board collected $1,000 in fines for the fiscal year ended June 30, 2005, and remitted the amount to the State Treasurer. The State Treasurer paid this amount into the Permanent School Fund in accordance with the Board's State Statute.

There is a conflict between the Board's State Statute and the Nebraska Constitution. If fines and penalties are being distributed as required by the Board's State Statute they are not being distributed in accordance with the Nebraska Constitution.

> We recommend the Board request guidance from the Attorney General's Office and work with the Legislature to resolve the apparent conflict between the Board's State Statute and the Nebraska Constitution.

Board's Response: This appears to be an issue that needs to be reviewed and resolved by the Legislature. The Board will provide this information to the Attorney General's office for guidance as recommended.

2. Receipt Controls

The Nebraska Board of Public Accountancy (Board) has the statutory responsibility to issue permits to practice public accountancy to certified public accountants, public accountants, partnerships, limited liability companies, and professional corporations; oversees the Certified

COMMENTS AND RECOMMENDATIONS
(Continued)

2. <u>Receipt Controls</u> (Continued)

Public Accountants (CPA) Computerized Based Test (CBT) examination; requires continuing professional education programs for licensed accountants; monitors compliance by licensed accountants with professional standards and investigates complaints registered with the Board. The Board's operations are financed solely by registration, permit, and examination fees collected. During the fiscal year ended June 30, 2005, the Board collected fees and charges of $394,194 in conjunction with their statutory responsibility. Our review of the receipt process, receipt computer system, and related controls noted the Board has some controls in place; however, the following weaknesses were noted and, if corrected, could improve their internal control system:

- The Nebraska Information System (NIS) is the centralized accounting system for the State of Nebraska. NIS has a batch management system that controls who can prepare, approve, and post batches/transactions to the system. Our review of the NIS batch controls for the Board noted two individuals who were set up in the system to prepare, approve, and post their own batches. When one person can process a transaction from beginning to end, there is a lack of segregation of duties and there is a greater risk of misappropriation of State funds.

- One individual has the initial control over receipts at the time the mail is opened. In addition, this individual is the backup for entering the receipts into Fox Pro (the Board's internal receipt system) and the backup for entering the receipts on NIS. Good internal control requires an adequate initial control over receipts to ensure all monies received by the Board were deposited with the State Treasurer. Without good initial control over receipts there is greater risk this individual would be in the position to both perpetrate and conceal errors or irregularities.

Permits issued are not reconciled with the receipts to ensure all permits and monies are accounted for. In addition, no report is generated by Fox Pro to perform this reconciliation. Fox Pro can issue a permit number without a receipt number tied to the permit and allows a receipt number to be deleted from the system. Fox Pro also does not track changes made to an applicant's file, such as address changes. Good internal control requires a reconciliation of permits issued with the receipts to ensure all permits and monies are accounted for and that the receipting system generate reports to perform this reconciliation. Good internal control also requires the receipting system not issue a permit number unless it is tied to a receipt number and not allow a receipt number to be deleted from the system. In addition, Fox Pro should track any changes made to applicants' files on the system. Without adequate reconciliation of permits to the receipts and adequate internal controls in place for the receipting system, there is an increased risk of possible misappropriation of State funds.

COMMENTS AND RECOMMENDATIONS
(Continued)

2. Receipt Controls (Continued)

The Board is currently in the process of developing a new receipting system anticipated to be in production sometime during the fiscal year ending June 30, 2006. Per discussion with the Director and the Administrative Assistant, issues that have come to their attention during the examination will be taken into consideration.

We recommend the following to improve controls over the receipting process:

- The Board should establish an adequate segregation of duties and implement policies to review NIS Batch Management to ensure no users are able to prepare, approve, and post their own documents.

- The Board should implement procedures to obtain an adequate initial control over receipts. This could be accomplished by having two individuals involved in the opening of mail, making an initial listing of receipts (as they currently are doing) and having both of these individuals initial off on this listing, certifying the total amount of receipts received in the office. The Board should continue their current process of reconciling this list to the amount deposited to the State Treasurer.

- The Board should ensure the new receipt system they are developing will provide the controls and reports to account for all permit numbers, ensure no receipt or permit numbers could be deleted, ensure no permit is issued without a receipt being issued and ensure the system requirements will track any changes made to applicants' files on the system.

Board's Response: The ability for two (out of three) employees to prepare, approve, and post batches/ transactions to the system were established upon initiation of the Nebraska NIS system. When the executive director is out of the office (or the staff member) for conferences and/or vacations, this allows the office to continue to register deposits as required. A second staff member is required to review and approve the document before deposit. Staff acknowledges the risk and will review NIS Batch Management to determine the elimination of allowing an employee to prepare, approve, and posting of their own documents.

Again, Board staff consists of three members including the part-time assistance of an intern. As indicated, staff has initiated some controls and will consult with Board members to assist in developing further controls over the receiving of receipts into the office.

COMMENTS AND RECOMMENDATIONS
(Continued)

2. Receipt Controls (Concluded)

Board's Response, Concluded:
As indicated, the Board is currently in the development of a new database system, and the goal is to provide additional controls over the receipting and processing of Board permits as recommended.

3. Cash Fund Balance/Support for Cost of Fees

Good fiscal policy would require fund balances and costs associated with individual fees that makeup the Board's fee structure be periodically reviewed to ensure the fees charged and costs associated with the fees are reasonable.

The Board's State statutes generally establish a "not to exceed" amount for the fees they may charge and gives the Board the authority to set those fees not to exceed this limit. In our review of the Board's cash fund balance, we noted the fund balance has increased from $480,588 for the fiscal year ended June 30, 2004, to $569,694 as of June 30, 2005. The expenditures for these two fiscal years were fairly consistent, $332,925 and $319,696, respectively. The fiscal year ended June 30, 2005, fund balance is approximately 1.7 times the Board's annual expenditures. This appears to be excessive as a fund balance covering six months of expenditures is often considered reasonable. We also noted during testing, the Board did not have documentation to support they had performed a review of the actual costs associated with their fees.

We did note the Board had reviewed the revenue side of the fees/fines and had looked at expenditures in total only. For the fiscal year ending June 30, 2006, per Board minutes on January 6, 2006, the Board has reduced the active, inactive, and firm permit fees. These fees for the fiscal year ended June 30, 2005, were $210, $90, and $110, respectively. They were each reduced by $10. This reduction reduces the fees back to fiscal year 2004 levels. This reduction may not actually decrease their fund balance.

When fund balances and costs associated with individual fees that makeup the Board's fee structure are not periodically reviewed and when there is no documentation to support they had performed a review of the actual costs associated with their fees, there is less assurance the Board can support their fee structure and fund balance as reasonable.

> We recommend the Board review actual costs associated with the fees to determine if the fees collected are reasonable and supportable in relation to the cost associated with those fees.

COMMENTS AND RECOMMENDATIONS
(Continued)

3. Cash Fund Balance/Support for Cost of Fees (Concluded)

Board's Response: The executive director provides updates to the Board's Executive Committee to review the Board's cash fund balance and current individual fees associated with each Board issued permit or other associated fees. The Executive Committee additionally met with the Board's DAS Budget Officer to review and discuss the Board's current cash fund balance and reviewed other cash funded agency cash funds. The DAS Budget Officer concluded the Board cash fund was acceptable. The Committee acknowledged the growth within the fund and attributed the growth to scrutiny in Board spending, no major enforcement cases, and a stable permit population. As indicated, the Board acted by decreasing fees to its permit holders. The Board must be cognizant of future possible complicated enforcement actions that would require funds to support the action. <u>It has been reported by other State Boards that law firms access their cash funds to determine if litigation is a viable option for the Board in enforcement matters</u>.

The Board will continue to monitor its cash fund and be prepared to adjust Board fees when appropriate as recommended.

As recommended, Board staff will provide actual costs associated with each fee to assist in determining future Board fee structure.

4. 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

COMMENTS AND RECOMMENDATIONS
(Continued)

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

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.

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.

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

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 BOARD OF PUBLIC ACCOUNTANCY

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Board of Public Accountancy
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balance of the Nebraska Board of Public Accountancy (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.

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.

In our opinion, the schedule referred to above presents, in all material respects, the revenues, expenditures, and changes in fund balance of the Nebraska Board of Public Accountancy 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 March 24, 2006, on our consideration of the Nebraska Board of Public Accountancy'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.

Don Dunlap CPA

March 24, 2006 Assistant Deputy Auditor

NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 2005

	Public Accountants Cash Fund 26310
REVENUES:	
Sales & Charges	$ 394,194
Miscellaneous	14,221
TOTAL REVENUES	408,415
EXPENDITURES:	
Personal Services	190,794
Operating	109,146
Travel	17,945
Capital Outlay	1,811
TOTAL EXPENDITURES	319,696
Excess (Deficiency) of Revenues Over (Under) Expenditures	88,719
OTHER FINANCING SOURCES (USES):	
Sales of Assets	387
TOTAL OTHER FINANCING SOURCES (USES)	387
Net Change in Fund Balance	89,106
FUND BALANCE, JULY 1, 2004	480,588
FUND BALANCE, JUNE 30, 2005	$ 569,694
FUND BALANCE CONSISTS OF:	
General Cash	$ 569,947
NSF Items	410
Deposits with Vendors	2,036
Due to Vendors	(2,699)
TOTAL FUND BALANCE	$ 569,694

The accompanying notes are an integral part of the schedule.

NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2005

1. Criteria

The accounting policies of the Nebraska Board of Public Accountancy 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 and 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:

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

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. 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.

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

Other Financing Sources – Proceeds of fixed asset dispositions.

2. State Agency

The Nebraska Board of Public Accountancy (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 Board of Public Accountancy is part of the primary government for the State of Nebraska.

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. Most equipment that the Board owns has been included on the Board's capital asset records as of June 30, 2005, and as such was capitalized; however, the Board changed their capitalization policy as of August 1, 2005, to capitalize all equipment over $1,500, and all electronic equipment with an expected useful life of two or more years. 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:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets				
Equipment	$ 49,747	$ 1,811	$ 4,626	$ 46,932
Less accumulated depreciation for:				
Equipment				40,916
Total capital assets, net of depreciation				$ 6,016

4. Operating Lease

The Board extended an operating lease agreement in November 2004 for their office space for the years January 1, 2005, through December 31, 2009. The lease obligation for this space was $153,348, with annual payments varying from $29,700 to $31,836.

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

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 BOARD OF PUBLIC ACCOUNTANCY

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*

Nebraska Board of Public Accountancy
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balance of the Nebraska Board of Public Accountancy for the fiscal year ended June 30, 2005, and have issued our report thereon dated March 24, 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.

In planning and performing our examination, we considered the Nebraska Board of Public Accountancy'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 Board of Public Accountancy's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedule. A reportable condition is described in the Comments Section of the report as Comment Number 4 (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 Board of Public Accountancy's schedule of revenues, expenditures, and changes in fund balances, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our examination, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain additional items that we reported to management of the Nebraska Board of Public Accountancy in the Comments Section of this report as Comment Number 1 (Fines and Penalties), Comment Number 2 (Receipt Controls), and Comment Number 3 (Cash Fund Balance/Support for Cost of Fees).

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.

Don Dunlap CPA

March 24, 2006 Assistant Deputy Auditor

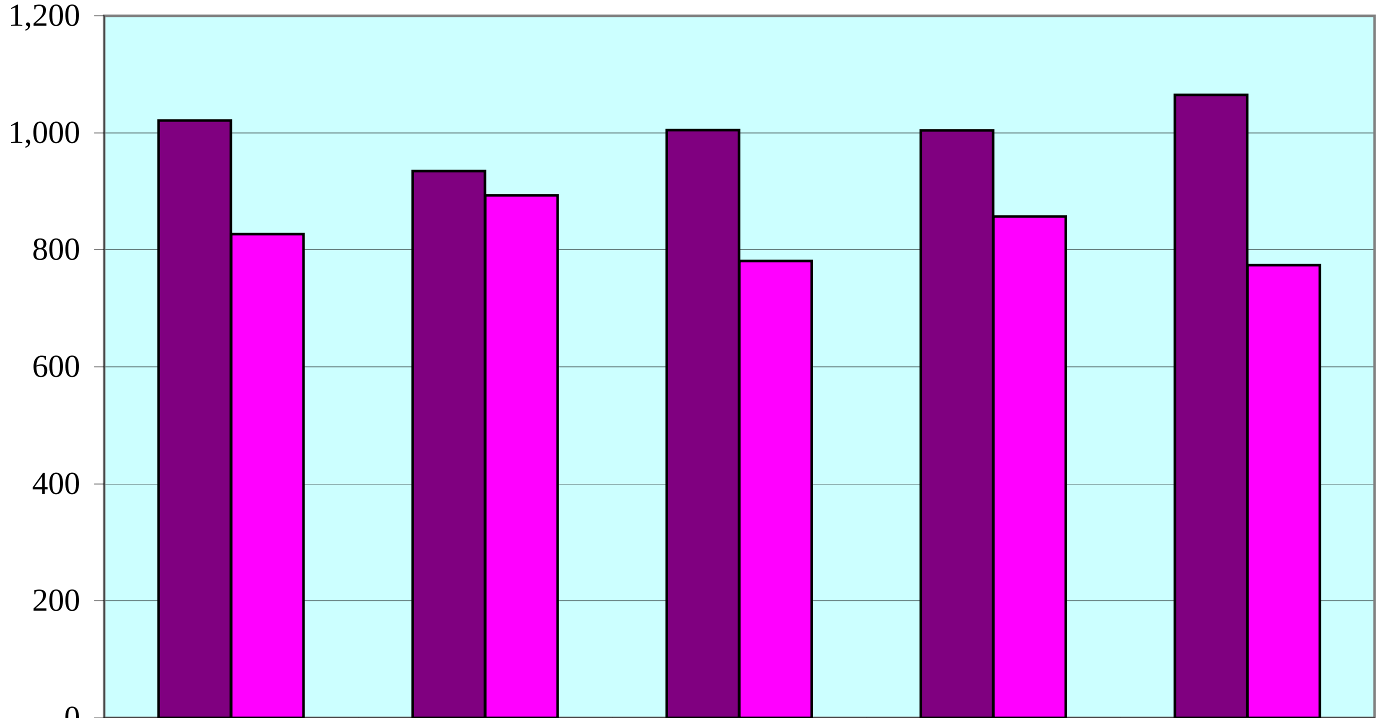
STATISTICAL SECTION

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

NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

CERTIFIED PUBLIC ACCOUNTANT (CPA) PERMITS AND INACTIVE REGISTRATIONS

FOR THE TWO-YEAR RENEWAL PERIODS 2000 THROUGH 2006



	2000-2002	2001-2003	2002-2004	2003-2005	2004-2006
CPA Permits	1,021	935	1,005	1,004	1,065
CPA Inactive Registrations	827	893	781	857	774

Note: Data includes renewals and initial filings.

Note: Permits and Registrations are on a biennium renewal period.

Source: Nebraska Board of Public Accountancy Records.

NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

CERTIFIED PUBLIC ACCOUNTANT EXAMINATION STATISTICS

FOR THE TEST PERIODS APRIL AND MAY 2004 THROUGH OCTOBER AND NOVEMBER 2005

Candidates Taking Exam	**April & May 2004**	**July & Aug. 2004**	**Oct. & Nov. 2004**	**Jan. & Feb. 2005**	**April & May 2005**	**July & Aug. 2005**	**Oct. & Nov. 2005**
Initial credit	9	7	8	3	19	14	20
Added credit	8	37	45	22	33	35	50
No new credit	7	23	32	23	31	27	47
Failed	33	36	74	43	33	24	52
Passed	8	13	16	9	8	10	27
Total Candidates Taking Exam	65	116	175	100	124	110	196

Passed by Part	**April & May 2004**	**July & Aug. 2004**	**Oct. & Nov. 2004**	**Jan. & Feb. 2005**	**April & May 2005**	**July & Aug. 2005**	**Oct. & Nov. 2005**
Auditing & Attestation	7	13	17	4	11	18	28
Business Environment & Concepts	4	18	21	11	26	17	24
Financial Accounting & Reporting	9	14	17	8	15	7	27
Regulations	5	12	14	11	8	17	18
Total Passed by Part	25	57	69	34	60	59	97

Attendance by Part	**April & May 2004**	**July & Aug. 2004**	**Oct. & Nov. 2004**	**Jan. & Feb. 2005**	**April & May 2005**	**July & Aug. 2005**	**Oct. & Nov. 2005**
Auditing & Attestation	16	30	45	21	24	34	53
Business Environment & Concepts	10	31	45	28	42	24	50
Financial Accounting & Reporting	21	30	41	26	31	22	49
Regulations	18	25	44	25	27	30	44
Total Attendance by Part	65	116	175	100	124	110	196

The Board began using Certified Public Accountants (CPA) Computerized Based Test (CBT) examinations for the first time for the test period of April and May of 2004. The data presented here reflects the data since the inception of the CBT to the October and November 2005 test period.

Source: Nebraska Board of Public Accountancy-Master Candidate Score Reports.