

**ATTESTATION REPORT  
OF THE  
NEBRASKA STATE PATROL**

**JULY 1, 2004 THROUGH JUNE 30, 2005**

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**Issued on March 31, 2006**

NEBRASKA STATE PATROL

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# NEBRASKA STATE PATROL

## BACKGROUND

In 1937, the Legislature created the Nebraska Safety Patrol, making it a division of the Department of Roads and Irrigation. As amended in 1941, the law named the patrol's chief officer as "Superintendent of Law Enforcement and Public Safety." In 1967, the Legislature changed the name to State Patrol and broadened the division's duties. In 1981, the Legislature made the State Patrol a separate agency, removing it from the Department of Roads' control. The Superintendent's office directly supervises internal affairs, public information, and executive protection, research, and planning. Other State Patrol duties are classified under three general areas: traffic services, investigative services, and administrative and support services. Officers of the State Patrol also provide executive protection for the Governor and the Governor's family, legislative security, and Supreme/Appellate Court security. The Nebraska State Patrol maintains its main headquarters in Lincoln, with troop area headquarters in Lincoln, Omaha, Norfolk, Grand Island, North Platte, and Scottsbluff.

### **Administrative and Support Services**

This division includes accounting, human resources, grants, information technology, inspections, legal services, supply and radio engineering, communications and the training academy.

### **Internal Affairs Division**

The Internal Affairs Division provides the Agency a means of maintaining professional conduct within the Nebraska State Patrol. The Internal Affairs lieutenant receives complaints from the public and within the Agency and initiates administrative investigations into complaints that allege misconduct. The division also tracks incidents where officers were required to use force or discharge weapons in the performance of their duties.

### **Investigative Services Division**

The Investigative Services Division includes criminal investigations, drug investigations, intelligence (criminal drug information gathering), identification (fingerprint and criminal history files), and the following divisions: bomb squad, Internet crimes, cold case, auto fraud, fuel fraud, alcohol/tobacco, sex offender registry program, and the crime laboratory.

### **Alcohol/Tobacco Division**

The Nebraska State Patrol serves as the primary enforcement agency for the Nebraska Liquor Control Commission. In addition to liquor law enforcement, the Agency investigates the background of liquor license applicants, complaints of alleged violations and conducts licensed premise inspections. The Agency also provides training to retail liquor license holders regarding State law, the rules and regulations of the Liquor Control Commission, and detecting false identification.

# NEBRASKA STATE PATROL

## **BACKGROUND**

(Continued)

### **Auto/Fuel Fraud Division**

The Auto Fraud Division tracks stolen vehicles and educates key individuals about identification of false vehicle documents. The division promotes anti-auto fraud and public awareness programs and provides certification training to vehicle title inspectors. Fuel fraud personnel investigate fuel tax fraud, illegal use of dyed diesel fuel, and consumer fraud involving fuel quality and quantity.

### **Bomb Squad**

The Bomb Squad consists of five hazardous devices technicians certified through the Federal Bureau of Investigation's Hazardous Devices School. The squad's responsibilities include responding to explosives calls, providing training in explosive awareness and recognition and enforcing rules and regulations for the use, storage, and purchase of commercial explosives.

### **Crime Laboratory**

The mission of the Nebraska State Patrol Crime Laboratory is to serve as a State leader in the field of forensic science serving law enforcement agencies statewide. Key functions include evidence analysis, expert court testimony, and evidence collection and preservation training.

### **Cold Case Squad**

Technological advances in DNA testing and evidence analysis created the need to review unsolved homicides. The Nebraska State Patrol Cold Case Squad consists of two investigators who confirm unsolved crimes are homicides and examine evidence to determine if DNA analysis is possible. There are approximately 150 unsolved cases in Nebraska.

### **Internet Crimes Against Children**

The Internet Crimes Against Children (ICAC) unit is one of 39 federally funded ICAC task forces in the United States. The unit works proactive and reactive cases involving child pornography and online enticement of children for sexual purposes.

### **Sex Offender Registry**

The Sex Offender Registry was created to maintain records on convicted sex offenders. Program personnel assign risk level to offenders, track offenders, conduct community notification, and investigate violations of registry laws.

### **Traffic Services**

Traffic services include highway patrolling, crash investigations, motor carrier enforcement, SWAT team services, and the K-9, Air Wing, and Community Policing divisions.

# NEBRASKA STATE PATROL

## **BACKGROUND**

(Continued)

### **Air Wing**

The Air Wing has pilots stationed at Ogallala, Kearney, and Lincoln. Three fixed-wings and one helicopter are used to enforce motor vehicle laws, conduct surveillance, search for missing persons, and assist other law enforcement agencies.

### **Community Policing Division**

The Nebraska State Patrol assigns six officers dedicated to community service to participate in community policing, which is a partnership between police and the communities they serve. The program is designed to identify problems and to develop solutions to these problems. Nebraska State Patrol Community Service Officers conduct or assist with a variety of programs, including the Metro Area Motorist Assist Program, the Nebraska Motorist Assist Program, the Central Nebraska Motor Assist Program, the Junior Law, Grim Reaper, and Adopt-a-School.

### **K-9 Division**

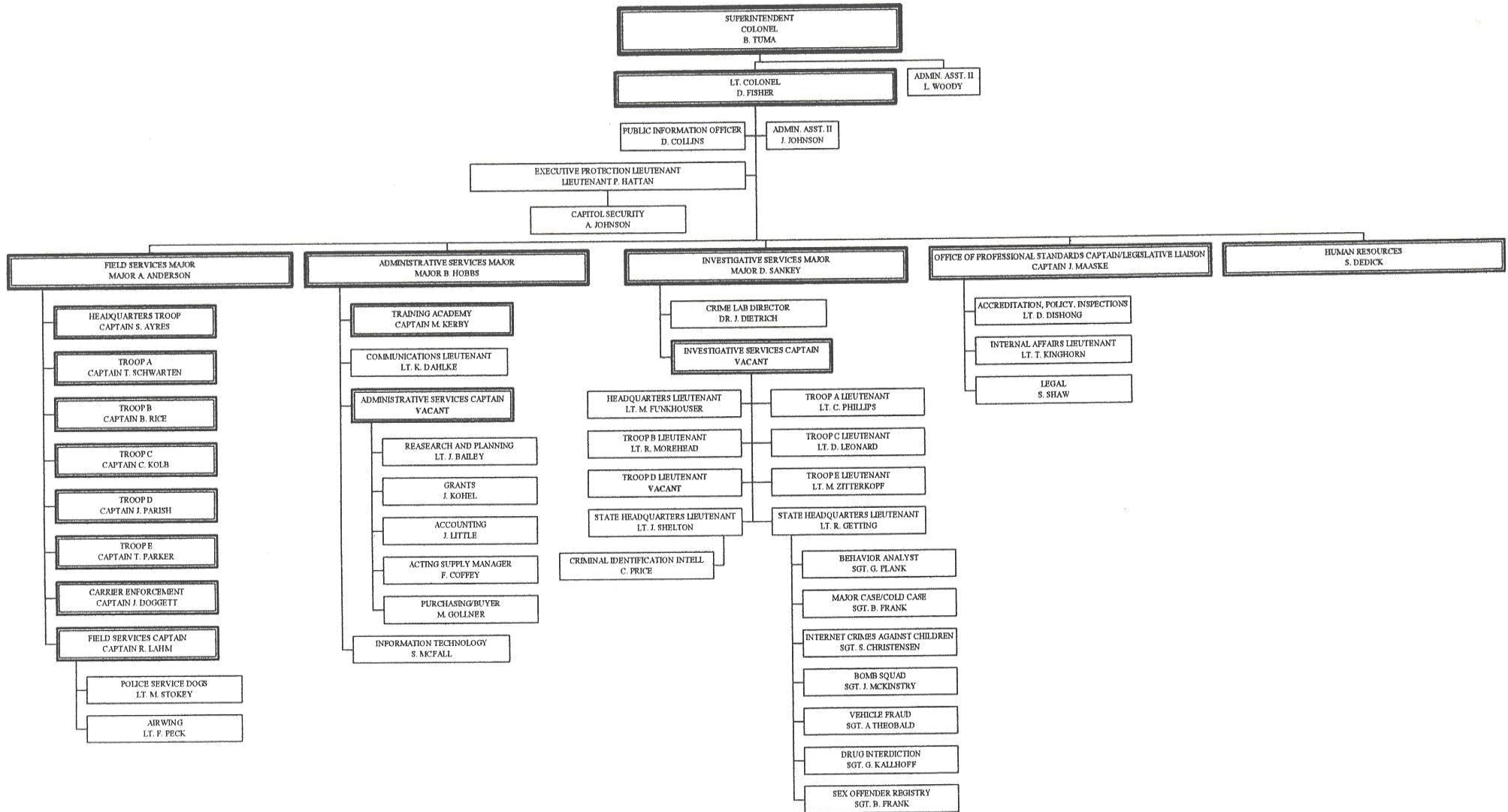
The K-9 Division consists of 16 officers and their police service dogs. The dogs are trained to track suspects or missing persons, search buildings for drugs and explosives, protect officers and apprehend suspects.

## **MISSION STATEMENT**

The mission of the Nebraska State Patrol is to exemplify our values by providing the highest quality of law enforcement and service to the citizens. Through innovation and cooperation, we strive to promote and maintain the spirit of teamwork that is the tradition of the Nebraska State Patrol.

# NEBRASKA STATE PATROL

## ORGANIZATIONAL CHART



NEBRASKA STATE PATROL

**EXIT CONFERENCE**

An exit conference was held February 27, 2006, with the Agency to discuss the results of our examination. Those in attendance for the Nebraska State Patrol were:

<b>NAME</b>	<b>TITLE</b>
Bryan J. Tuma, Colonel	Superintendent of Law Enforcement and Public Safety
John Little	Accounting Administrator
Kerry Bohlekn	Business Manager
Darrell Fisher	Asst. Superintendent

## NEBRASKA STATE PATROL

### SUMMARY OF COMMENTS

During our examination of the Nebraska State Patrol (Agency), we noted certain matters involving the internal control over financial reporting and other operational matters which are presented here.

1. ***Questionable Payments for SCAN Employees:*** Statewide Communications Alliance of Nebraska (SCAN) is a non-State agency established by State statutes. We noted employees of SCAN were paid salaries of \$162,426 out of State funds of the Nebraska State Patrol.
2. ***Fixed Assets:*** We noted a lack of segregation of duties over fixed assets, no independent review of the various fixed asset reports on NIS, and various other control problems. During testing, we noted an annual physical inventory had not been performed in many years for the Agency's fixed assets.
3. ***Controls Over Receipts:*** We noted a lack of segregation of duties over receipts and inadequate controls to ensure all monies are being deposited with the Nebraska State Treasurer. During testing, we also noted various other control problems.
4. ***Disaster Recovery and Continuity of Operation Plans:*** Although the Agency has some disaster recovery processes in place, a written IT Disaster Recovery and Continuity of Operations Plan has not been developed.
5. ***Vehicle Management:*** The Nebraska State Patrol currently owns and maintains a fleet of 760 vehicles. Discussion with Agency management indicated no written policies and procedures exist concerning the upkeep and disposal criteria for vehicles owned by the Agency. Currently the Agency does not have a centralized computer system to keep track of maintenance.
6. ***Fines and Penalties:*** A conflict exists between the Agency's State statute and the Nebraska Constitution. The Nebraska Constitution requires fines, penalties, and license money arising under the general laws of the State to be paid over to the counties where they were levied or imposed.
7. ***Payroll:*** During payroll testing, we noted problems with negative leave balances, policies regarding negative leave, and various problems concerning terminated employees. We also noted the Agency does not have a formal policy regarding the accountable plan for uniform employees' \$100 expense reimbursement.



NEBRASKA STATE PATROL

**SUMMARY OF COMMENTS**

(Continued)

8. **Spending Authority:** We noted the Agency over-obligated its spending authority by \$199,241 in Program 189 General Funds, \$26,798 in Program 190 Cash Funds, and \$100,721 in Program 195 General Funds. We also noted one document from the prior fiscal year for \$53,966 that was not properly identified as a prior year obligation.
9. **Travel:** Three of ten expense reimbursements tested did not have meal logs or receipts on file. Seven of ten meal logs tested did not contain adequate detail. These seven meal logs either did not include the city or the restaurant name.
10. **Accounting for Federal Funds:** During testing, we noted problems regarding expenditure amounts reported to the granting agency and amounts reported on NIS.
11. **Contracts:** During testing, we noted that the Agency does not always determine the lowest cost for purchases of goods and services which fall under the \$25,000 limit. It was also noted that some items were purchased before a purchase order was sent to the purchasing division for approval.
12. **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 Agency to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. All formal responses received have been incorporated into this report. Responses have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were not verified at this time, but will be verified in the next examination.

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

## NEBRASKA STATE PATROL

### COMMENTS AND RECOMMENDATIONS

#### 1. Questionable Payments for SCAN Employees

During our examination of the Nebraska State Patrol's records for the fiscal year ended June 30, 2005, concerns were brought to our attention regarding supporting documentation for salaries paid to a discretionary, non-classified employee. Based on those concerns raised, information was gathered from Nebraska State Patrol records, staff, and the Statewide Communications Alliance of Nebraska (SCAN) records. We noted the following:

- In 2002, Legislative Bill 1211 established a statewide seamless wireless communication system. SCAN was created pursuant to the Interlocal Cooperation Act to construct, operate, maintain, and manage the system. SCAN was under the direction of an Executive Board and was composed of a group of nine voting public officials representing various state and local agencies. The previous Colonel, Tom Nesbitt, and previous Lieutenant Governor, Dave Heineman, were members of the SCAN Board. Lieutenant Governor Heineman was appointed chairman of the SCAN Board at its inception. Colonel Tom Nesbitt became Chairman on April 30, 2003. The following details were obtained from the SCAN Board minutes:

February 27, 2003, Lieutenant Governor Heineman announced that the Project Manager for SCAN had been hired and in that capacity he would report directly to the Lieutenant Governor.

March 20, 2003, the SCAN Board officially approved the position of SCAN Project Manager. The SCAN Board unanimously approved the appointment.

December 22, 2003, the League of Nebraska Municipalities agreed to provide office space for the SCAN project. Per the League of Nebraska Municipalities, the Project Manager worked out of the office space they provided. The Project Manager also introduced his new Assistant to the SCAN Board.

October 5, 2004, is the date of the last official meeting minutes noted on the SCAN project website.

- The Nebraska State Patrol staff and records indicated the following:

A discretionary, non-classified employee was hired as Special Projects Director on January 16, 2003, and terminated on February 28, 2005. Per letter from Colonel Tom Nesbitt, the salary for this position began at \$5,000 per month, and at the time of termination, was \$5,176.50 per month. He was paid a total gross salary of \$137,465.76 from the Nebraska State Patrol, which included a final vacation and holiday compensation payout of \$10,153.76. This employee was the SCAN Project Manager.

NEBRASKA STATE PATROL

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Questionable Payments for SCAN Employees** (Continued)

A discretionary, non-classified employee was hired as Assistant to the Special Projects Director on November 17, 2003, and terminated on August 6, 2004. The Assistant was paid a gross salary of \$24,959.82, which included a final vacation leave payout of \$884 upon her resignation. This employee was the SCAN Project Manager's Assistant.

According to Nebraska State Patrol staff, the expenses for the SCAN Project Manager and the SCAN Project Manager's Assistant were not included in the biennium budget of the Nebraska State Patrol.

All classified employees of the Nebraska State Patrol, with the exception of the Project Manager, maintained approved timesheets. The Project Manager's Assistant did complete timesheets for the entire time of her employment. The Project Manager had prepared daily time records for the period December 2003 through August 2004, which were submitted to the Nebraska State Patrol. Daily time records **were not** kept for the period January 16, 2003, through November 30, 2003, or the period September 1, 2004, through February 28, 2005. On approximately May 1, 2005, the Project Manager **subsequently provided manually prepared monthly calendars (monthly calendars)** for those periods. The provided monthly calendars noted the hours worked on each day by 8-5, 8-12, etc.

Upon termination, the Project Manager requested vacation and holiday compensation payout. After several conversations, the Project Manager received a final vacation leave and holiday compensation payout of \$10,153.76 on May 9, 2005. This consisted of 300 hours of unused vacation and 40 hours of holiday compensation time.

- Upon examination of the timesheets and other documents prepared by the Project Manager, we compared them to the manual monthly calendars. The following discrepancies were noted:
  - a. The Project Manager recorded 391 more hours worked on his monthly calendars than what was recorded on his originally submitted timesheets.
  - b. The Project Manager recorded 16 hours worked on his original timesheets which were not recorded on his monthly calendars.

NEBRASKA STATE PATROL

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**1. Questionable Payments for SCAN Employees (Continued)**

- c. On December 26, 2003, the Project Manager recorded on his timesheet that 8 hours were taken off for a holiday; however, the monthly calendars indicated he worked 8-5.
- d. On July 1, 2004, the Project Manager recorded on his monthly calendars holiday leave; however, the State holiday actually occurred on July 4, 2004.
- e. The Project Manager had submitted a written letter to the previous Colonel noting holidays worked. The Project Manager noted working on October 13, 2003; however, his monthly calendars indicated the holiday was taken off.
- f. We noted on the original timesheets for December 29, 30, and 31, 2003, the Project Manager recorded 8 hours vacation used each day; however, the monthly calendars indicated working those days.

Based on the above information, we noted the following concerns:

- 1. The Auditor of Public Accounts finds there is a lack of actual supporting documentation for the Project Manager's May 9, 2005, payout of \$10,153.76. While we acknowledge the Project Manager subsequently supplied manually prepared monthly calendars to allegedly support the time he worked, we believe the discrepancies noted between the monthly calendars, actual timesheets, and other records provided raise questions as to the accuracy of the information. Therefore, we question the legitimacy of the entire \$10,153.76 payout.
- 2. The appropriateness of Nebraska State Patrol funds being used to pay the salaries and benefits for the Project Manager and his Assistant are also in question. The SCAN Board meeting minutes clearly indicate the Project Manager and his Assistant were not employees of the Nebraska State Patrol, they were employees of the SCAN Board; however, they were paid for by the Nebraska State Patrol. In addition, the SCAN Board meeting minutes of February 27, 2003, indicate the Project Manager directly reported to Lieutenant Governor Heineman, not the Nebraska State Patrol. These items were not budgeted for in the Nebraska State Patrol's budget and therefore did not go through the State Budget Process.

Neb. Rev. Stat. Section 84-1001(1) R.R.S. 1999 states, "All state officers and heads of departments and their deputies, assistants, and employees, except permanent part-time employees, temporary employees, and members of any board or commission not required to

NEBRASKA STATE PATROL

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**1. Questionable Payments for SCAN Employees (Continued)**

render full-time service, shall render not less than forty hours of labor each week except any week in which a paid holiday may occur.” In addition, sound business practices, as well as good internal control, would require hours actually worked be adequately documented. This can be done via timesheets, time logs, etc. and such documentation should be kept on file to provide evidence of compliance with the requirements of Section 84-1001. Furthermore, good internal control requires that whenever employees accrue vacation and sick leave adequate documentation should be maintained to support the employees’ having “earned” the amounts recorded in the leave records by documenting not less than forty hours of work each week. We believe the above State Statute applies to these discretionary, non-classified employees.

We recommend the Nebraska State Patrol request assistance from the Attorney General’s Office, to determine:

- If any action should be taken to obtain reimbursement for the questioned May 9, 2005, payout of \$10,153.76 to the Project Manager.
- If further investigation is warranted on the propriety of the use of Nebraska State Patrol funds to pay for the SCAN Project Manager and his Assistant’s salaries, benefits, and related expenses.

*Agency’s Response: The Superintendent of the Nebraska State Patrol was responsible for the employment of the Special Projects Manager within the agency. Colonel Tom Nesbitt hired the individual to fill a discretionary position within the agency. Colonel Nesbitt signed both the letter which assigned the individual to the position, and the letter which terminated the employment of the individual. While his work efforts were originally directed by the SCAN Board, the individual was allowed to office out of his residence and the Patrol supplied all necessary resources to carry out his initial duties. The Patrol was responsible for his salary and benefits. Any questions or clarification concerning his assignment were to be directed to Colonel Nesbitt. Numerous employees of the Nebraska State Patrol expressed legitimate concerns about the employment, and the subsequent request for vacation and holiday compensation. These employees submitted considerable information to Colonel Nesbitt about the Auditor of Public Account’s Suggested Business Practices Attachment (dated September 2003) which discussed the requirement that all employees who earn and use leave must document time worked and leave used. The Suggested Business Practices also suggested that the employee must provide documentation of leave usage if they expect to be paid for any unused*

NEBRASKA STATE PATROL

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Questionable Payments for SCAN Employees** (Continued)

*Agency's Response, Concluded:*

*leave upon their departure. These Suggested Business Practices were discussed with the Auditor of Public Accounts Office and with the Nebraska Department of Administrative Services Division of State Personnel, both of which recommended that these practices be followed. Colonel Nesbitt was informed of these recommendations. The request for payment of leave was submitted by the Special Projects Manager to Colonel Nesbitt, who ultimately determined that the documentation was proper, and directed that the payment be processed. The Nebraska State Patrol will consult with the Attorney General's Office concerning this comment and recommendation.*

***Due to Colonel Nesbitt's involvement, he was also asked to respond to the comment.***

***Colonel Nesbitt's Response:*** *The two employees in question were discretionary, non-classified Nebraska State Patrol employees. The first discretionary employee was hired as a Special Projects Director for the Nebraska State Patrol. These two discretionary employees were assigned to and assisted with the duties and responsibilities of the Statewide Communications Alliance of Nebraska (SCAN) that was put forth by Legislative Bill 1211 in establishing a statewide seamless wireless communication system. Prior to the hiring of the first discretionary position a discussion took place in the Governor's office approving the use of a vacant State Patrol agency discretionary position and that this employee would be assigned duties as a Project Manager for SCAN. The second discretionary position that was filled for an assistant to the project manager was approved by myself. No Executive Branch official requested an attorney general's opinion on this arrangement, or questioned it when presented.*

*The Patrol with other local and state entities was an integral part of SCAN. The Nebraska State Patrol is the only statewide law enforcement agency and is dependent on statewide communications to provide public safety for the citizens of Nebraska. That is a part of the Agency's mission.*

*Also approved by the Governor's office, the Nebraska Information Technology Commission (NITC) which Lt. Governor Heineman chaired, was the amount of \$265,000 for consultant and administrative expenses (NITC Approved Minutes of Monday, March 24, 2003 @ 9:00 AM) for SCAN from the Information Technology Infrastructure Fund. Please refer to the Project Proposal Form completed by the technical group of the NITC that was authored by CIO Steven Schafer for details.*

*Lt. Governor Heineman, as the chairperson, expected legal counsel and the Patrol SCAN employee to report to him, just as he did other State Patrol employees Captain Billy Hobbs and then Major Bryan Tuma for homeland security purposes. Further, funding for transporting Lt.*

NEBRASKA STATE PATROL

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Questionable Payments for SCAN Employees** (Concluded)

*Colonel Nesbitt's Response, Concluded:*

*Governor Heineman, SCAN Board Members, staff and other public/private people to educate the public on this SCAN system was paid for by funds appropriated from Homeland Security funding handled through the Lt. Governor who was the Director of Homeland Security, which included the state airplane which was used for transportation purposes.*

*I do not recall any State employee, office, or the employees of the Patrol expressing "legitimate concerns" initially about the employment of these discretionary, non-classified employees. The claim that "numerous employees expressed legitimate concerns" is inaccurate.*

*I recall only one or two persons raising concerns about the lack of timesheets to verify the work done by the employee. These concerns only involved the lack of timesheets of the Project Manager. Later Major Tuma submitted a letter to my attention and the subject was "Payout for Unused Leave Balance" It should be noted that the employee was "countermanded" regarding timesheets through his/her chain of command. The employee was requested and did comply in completing timesheets for his/her employment time with the Nebraska State Patrol. I do not recall the accounting and/or human resource employees bringing to my attention any discrepancies in these submitted reports. I accepted the reports as accurate reflections of the employee's service to the Patrol.*

*The payout for the discretionary employee was for leave time accrued at his/her previous state agency employment and also from the Patrol's. To the best of my knowledge "suggested business practices" were followed in the determination of the payment of leave. Discussion took place between then Major Tuma, accounting, human resources and myself about the discretionary employee's past employment with another state agency and it was determined that it was appropriate to pay the accrued earned leave time from both agencies upon separation of employment from the State of Nebraska since the "the employee requested to produce personal documentation to demonstrate leave usage being claimed" had done so. The employee's State Patrol computer print-out of December 2004 showed a balance of 299.0 hours of earned vacation leave and February 2005 a balance of 290.0 hours of earned vacation leave. I do not recall the accounting department raising this as an issue to me as being a problem, and I assumed they had cleared this issue with DAS State Personnel Division since he/she was a past State of Nebraska employee entitled to a separation payout for such unused time. Also, Mr. Little's accounting department obviously never audited for the discrepancies you now note in your correspondence, nor do I recall being informed of the discrepancies by him or his staff.*

# NEBRASKA STATE PATROL

## COMMENTS AND RECOMMENDATIONS

(Continued)

### 2. Fixed Assets

As of June 30, 2005, the Agency had 5,188 items at a cost of over \$24 million recorded on their fixed assets records. The capitalization policy for the Agency is to record on their fixed assets records all weapons, assets with a cost of \$1,500 or more and certain electronic equipment below this amount to provide additional accountability over this type of equipment. The Agency fixed assets are located throughout the State of Nebraska, at various Troop Headquarters and Troop Stations. In addition, many of the fixed assets are assigned to and used by patrolmen; as such the fixed assets assigned are very mobile.

Our review of the Agency's fixed asset policies and procedures, internal controls, and records noted numerous areas where improvements are needed to provide an appropriate level of accountability over the millions of dollars of fixed assets owned by the Agency. We noted the following:

- A. There was a lack of segregation of duties over the fixed asset records. One individual could perform all capital asset transactions in the Nebraska Information System (NIS) (the system used by the State to account for capital assets). This included the maintenance of records and the addition and deletion of fixed assets from the records. We noted similar segregation of duties issues in previous audits of the Agency. In addition to one individual having the capability to perform all aspects of accountability over fixed assets, there was no independent review of certain reports from NIS. These reports include the Additions and Retirements Report, Fixed Assets Unposted Report, Fixed Assets Passed Report, and No Cost Integrity Report. The reports show what fixed assets have been purchased, what has been put on the capital asset records, and what capital assets have been deleted or surplus. Good internal control would ensure no one individual has the ability to perform all fixed asset transactions and an independent review of key reports be performed. When one individual can perform all fixed assets transactions and when there is no independent review of fixed asset reports there is less assurance all fixed assets purchased will be accounted for properly.
- B. As noted above, the NIS fixed asset system generates a "Passed" report. This report shows all fixed assets transactions coded to a capital expenditure, either by an actual payment or by a journal entry, and not posted to the fixed asset records but Passed on by the Agency. The Auditor of Public Accounts (APA) reviewed this report for passed items for the period July 1, 2004, through June 30, 2005, and noted there were hundreds of items on this report. Many of the transactions passed on were appropriately passed on; however, some were not. The APA selected ten passed items and requested support or explanation of why those transactions were passed on. For five of these transactions, the Agency could not provide us with support or explanation for the passed transaction.



NEBRASKA STATE PATROL

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Fixed Assets** (Continued)

Good internal control would ensure there is support for all fixed asset transactions not recorded on the fixed asset records. When this control is not in place, there is greater risk asset purchases will not be recorded on the fixed asset records.

- C. As noted above, the NIS fixed asset system also generates a “Fixed Asset With No Cost Integrity Report.” This report shows fixed assets recorded on the fixed asset report but were included without cost. The APA’s review of this report noted there were many assets on this report. Many of these assets have been on this report for over a year. When assets are recorded on the fixed asset at no cost, the fixed asset records are not complete as to cost and the asset records would not report depreciation expense. Good internal control and procedures would ensure costs be assigned when the asset is purchased or be added in a timely manner.
- D. An annual physical inventory has not been performed in many years for the Agency’s fixed assets. Neb. Rev. Stat. Section 81-1118.02(1) R.R.S. 1999 requires state agencies to annually make or cause to be made an inventory of all property, including furniture and equipment, belonging to the State of Nebraska. This State statute also requires this inventory to be completed as of June 30 and filed with the DAS Materiel Administrator by August 31 of each year. When an annual inventory is not taken and when an annual inventory has not been taken for many years there is significant risk some assets will not be found. When this is the case, it may be very difficult to determine if the asset was properly disposed of, or was lost or stolen.
- E. Not all fixed assets tested were tagged “Property of the State of Nebraska.” Based on our testing and through discussion with staff responsible for capital assets of the Agency, tag numbers are sent out that include the words “Property of the State of Nebraska” but those tag numbers are not always put on the items. In addition, according to Agency staff, fixed assets below the capitalization policy noted above are also not tagged as “Property of the State of Nebraska.” Neb. Rev. Stat. Section 81-1118.02(3) R.R.S. 1999 requires State agencies to indelibly tag, mark, or stamp all property belonging to the State of Nebraska, with the following: Property of the State of Nebraska. In the inventory filing required by subsection (1), above, each State agency shall also state positively that each item of such property has been so tagged, marked, or stamped. The APA believes this includes ALL fixed assets, including those below the capitalization threshold set by the Agency’s fixed asset policy noted above. Besides being required by State statute this procedure will help to provide better accountability for the many State assets which are purchased by the Agency but not put on their fixed asset records. This finding has been noted by the APA for many of the last audits of the Agency.

NEBRASKA STATE PATROL

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Fixed Assets** (Continued)

- F. Items were not being depreciated correctly based on the assigned item code. NIS assigns the code based on input in the system. Our testing noted two items were not coded correctly. When items are not coded correctly, depreciation expense for that item will not be correctly calculated.
- G. During our review of NIS Security Access for fixed assets, we noted six individuals with fixed asset code 30. This code allows an individual to have complete access to the fixed asset records and should be reserved for the fixed asset manager or the primary fixed asset persons. When there is excess access to fixed asset records, there is higher risk of errors and irregularities occurring.
- H. We noted over 30 items during the fiscal year that had the wrong addition and cost amounts on NIS. The APA estimates that from these items alone, there is an estimated \$845,000 of overstated costs recorded in its records during the fiscal year. In most cases, the cost amount was double what the addition amount was for that particular item. For example, we noted a Ford Crown Victoria which cost \$19,849 but was recorded in the capital asset records at \$59,547. The asset was posted three separate times to the fixed asset records. We also noted the State Patrol Mobile Command Post Vehicle that was purchased in 2004 for \$436,764 was recorded on the fixed asset listing twice. We noted other examples like these occurring with computers, weapons, and vehicles and we also noted examples of overstated costs in fiscal year 2004.

These errors appear to have occurred because journal entries were made on NIS and these in turn were incorrectly posted to the capital asset records based on a lack of understanding of the purpose of those journal entries. When costs are not appropriately recorded, depreciation expense and accumulated expenses will be overstated. In addition, the capital asset records do not properly represent the actual asset costs of the Agency.

- I. The Agency does not utilize the split coding attachments on NIS which are used to record the fund of origination when the purchase is made from more than one fund. Neb. Rev. Stat. Section 81-161.04, R.R.S. 2003 states “. . . the proceeds of the sales shall be deposited with the State Treasurer and credited to the General Fund unless the using agency certifies to the materiel division that the property was purchased in part or in total from either cash accounts or federal funds or from a percentage of such accounts or funds, in which case the proceeds of the sale to that extent shall be credited to the cash or federal account in the percentage used in originally purchasing the property.” Good internal control requires split coding attachments be used to record the fund of origination when the purchase is made from more than one fund to ensure the proceeds, when the asset is sold, can be deposited in compliance with statute.

NEBRASKA STATE PATROL

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**2. Fixed Assets (Continued)**

- J. The APA randomly selected 40 items and requested the Agency staff confirm and certify they found the item, they were located in the location as noted on the records, and they were properly tagged as "Property of the State of Nebraska." Of the 40 items we received a response on 39. Two items were not found, two items were at different locations than what the fixed asset listing stated, one item the Agency no longer had, and seven items had previously been surplused; however, the Agency was unable to provide us documentation to support these seven items had in fact been surplused. No response was received back on the remaining item. This very small sample shows the potential problems of not taking an annual inventory of fixed assets and may also show the results of the other concerns noted above.
- K. The Agency does have a policy, a form, and a process to be used to help keep track of items when they are transferred between different staff and/or between locations. Based on discussion with staff responsible for the fixed asset records, this process may not always be followed. This has resulted in the fixed asset records not being accurate as to location. In addition, this makes it more difficult to find items when necessary and there is less accountability over those items. Good internal controls would ensure policies be followed to ensure all items are tracked as to location.

We recommend Agency management take necessary actions to properly ensure all fixed assets they are responsible for are accounted for properly. Specifically, we recommend the following:

- Procedures should be implemented to ensure there is an adequate segregation of duties over the accounting of fixed assets and an independent review of certain fixed asset reports from NIS should be performed and documented.
- The "Passed" fixed asset report for the period July 1, 2004, through June 30, 2005, be reviewed in detail to ensure all fixed asset transactions passed on were appropriately passed on and properly supported. This review should be documented and approved by management.
- The "Fixed Asset With No Cost Integrity Report" be reviewed in detail to ensure all fixed assets have a cost. This review should be documented and approved by management.

# NEBRASKA STATE PATROL

## COMMENTS AND RECOMMENDATIONS

(Continued)

### 2. Fixed Assets (Concluded)

- An annual physical inventory of all fixed assets should be performed in accordance with State statute to better ensure all assets are accounted for properly.
- All items should be properly tagged “Property of the State of Nebraska” as required by State statute to ensure better accountability over all assets of the State.
- Implement procedures to ensure the correct item codes are attached to all capital assets.
- Change the NIS user access codes from code 30 to code 20 for those individuals who are not primary fixed asset users.
- Take the necessary procedures to correct fixed asset records as to cost, depreciation, and location.
- Use the split coding attachments on NIS for fixed asset purchases made from more than one fund.
- Follow policies and procedures to properly account for items transferred between locations and individuals.

*Agency’s Response: The Nebraska State Patrol has struggled for a number of years with equipment inventories, supply records, fixed asset policies and procedures, internal controls, and records predominately because of a shortage of personnel assigned to the Equipment and Supply division. The advent of the Nebraska Information System (NIS) has increased the workload within the division, and has more clearly demonstrated the deficiencies noted. The Nebraska State Patrol intends to request additional personnel and to place a greater emphasis upon fulfilling these responsibilities within the agency. These additional employees will be placing emphasis on paragraphs “A” thru “F” and “H”, “J”, and “K” to resolve these items. The security access in paragraph “G” has been accomplished. The State Patrol has met with the NIS Office to develop a method of split coding assets referenced in paragraph “I”.*

## NEBRASKA STATE PATROL

### COMMENTS AND RECOMMENDATIONS

(Continued)

#### 3. Controls Over Receipts

The Nebraska State Patrol collects money at the Headquarter's accounting office for grant reimbursements, asset seizures, DWI processing fees, ID replacements, restitution, duplicate payments, and other miscellaneous receipts such as witness fees. Explosive permit money is also sent to Headquarters where a receipt is prepared for each permit issued. The Criminal Identification Division (CID) collects money prior to performing a background check on an individual. They have their own Lotus Computer System that creates a receipt for each background check prepared. The Carrier Enforcement Division handles all receipts relating to fuel and reciprocity permits sold by vendors and officers. During our review of the records related to the above receipt types, we noted the following:

- Neb. Rev. Stat. Section 84-710 R.R.S. 1999 states "It shall be unlawful for any executive department, state institution, board, or officer acting under or by virtue of any statute or authority of the state, including the State Racing Commission, to receive any fees, proceeds from the sale of any public property, or any money belonging to the state or due for any service rendered by virtue of state authority without paying the same into the state treasury within three business days of the receipt thereof when the aggregate amount is five hundred dollars or more and within seven days of the receipt thereof when the aggregate amount is less than five hundred dollars."

The Accounting Division and CID deposits were not made within three days to the Nebraska State Treasurer. Receipts were not deposited in accordance with the above State statute for five out of ten CID deposits tested. Two of eighteen deposits tested for the Accounting Division were not deposited to the Nebraska State Treasurer within three days. When receipts are not deposited in a timely manner, the State and the Agency lose potential interest earning.

- Good internal control requires a segregation of duties so no one individual can handle all phases of a transaction from beginning to end. Good internal control also includes a plan of organization, procedures, and records designed to provide reliable financial records. There were inadequate controls over the explosive permits to ensure all money was being deposited to the Nebraska State Treasurer. During the fiscal year ended June 30, 2005, the Agency receipted \$4,040 in explosive permit receipts. There was no segregation of duties, as one individual was in charge of the entire process. The mail (application and check) came directly to the individual responsible for explosives. That individual was in charge of issuing the explosive permit and writing the cash receipt. The permits were not pre-numbered because, as applicants renew their permit, they get the same permit number. Checks were being held and not deposited in a timely manner. As of

NEBRASKA STATE PATROL

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**3. Controls Over Receipts** (Continued)

February 2, 2006, there was approximately \$150 worth of checks waiting for the application to be approved and completed before the checks would be deposited. There were two receipts missing in the cash receipt books. Receipt #393504 and #393739 were torn out of the cash receipt books and the Agency's copy could not be located. When one individual handles a transaction from beginning to end, checks held and not deposited and the Agency's copy of receipts from receipt books is not maintained there is greater risk of errors or fraud occurring and going undetected.

- DWI processing fees from the county were being coded to the wrong account. Beginning November 12, 2004, the Agency's Accounting Division began to code DWI processing receipts from counties to account 545000 - laboratory services expense account. Previously they had been properly coding them to receipt account 461600. Approximately \$27,447 was coded to the wrong account from November 12, 2004, through January 13, 2006. Sound accounting practices require fees to be recorded to the proper receipt account and in a consistent manner.
- Good internal control requires adequate control and procedures be established to ensure all receipts coming into the Accounting Division are deposited. Good internal control also requires an adequate segregation of duties over the receipt of monies to ensure no one individual is in the position to both perpetrate and conceal errors or irregularities. We noted there was a lack of controls relating to receipts and the money coming into the Accounting Division and explosives permits as noted above. The Agency does not create an initial listing of checks coming into the Accounting Division and Explosive Division. One person gets the mail and distributes it to the appropriate person. No one checks to make sure all monies received actually got deposited. There were no controls to ensure all restitution checks are being deposited in the Investigative Cash Bank Account. Whenever the county required the violator to pay restitution the check was sent to the Agency. They were unexpected checks to the Agency Accounting Division that were to be deposited in the Investigative Bank Account. When an initial list of receipts is not made, there is less assurance that all monies received by the Agency was properly deposited.
- Title 272 NAC 2-004 states, "Criminal justice agencies may assess reasonable fees, not to exceed actual costs, for search, retrieval, storing, maintaining, and copying of criminal justice records." Sound business practice would require the Agency to cover the costs incurred for services provided. We noted the CID fees are not covering their costs. The fees charged by the CID have remained the same for several years while the cost of services has increased. Even with the proposed \$5 increase in fees, the cost of service

NEBRASKA STATE PATROL

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**3. Controls Over Receipts** (Continued)

still will not be covered. Also, we were unable to determine how the costs were determined for the cost analysis performed for the proposal to change the rules and regulations to \$15 for Nebraska criminal history record information and \$17 for an additional fee charged by the FBI. When fee amounts do not cover costs, other Agency resources are being used to pay for the service being provided.

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

- Take CID deposits to the Headquarters daily to ensure money gets deposited to the Nebraska State Treasurer within three days. We also recommend the Accounting Division take the deposit to the Nebraska State Treasurer daily.
- Implement controls over explosive permit receipts to ensure money received is deposited. We also recommend an independent reconciliation be conducted of explosive permit receipts to ensure explosive receipts are properly controlled.
- Code DWI processing fees to revenue account 461600 and make an adjustment for the amount that was coded to the wrong account.
- Create an initial listing of all the money that comes into the Accounting Division including monies for explosives. This initial listing should be prepared by two individuals at the time the mail is opened. This listing should then be given to an individual who should compare it to the deposit document to ensure all money received was deposited with the Nebraska State Treasurer or in the appropriate bank account.
- Increase CID fees to cover costs to ensure no other Agency resources are used to provide this service to the public and to become compliant with State statute.

NEBRASKA STATE PATROL

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**3. Controls Over Receipts** (Concluded)

*Agency's Response: Increased emphasis will be placed upon the requirement to deposit funds with the State Treasurer within the statutory timeframe. Additional controls will be developed in the area of explosive permit receipts. The DWI processing fees have been corrected. The Nebraska State Patrol is in the process of increasing the CID fees to cover the costs of the applicant processing of criminal history records checks.*

**4. Disaster Recovery and Continuity of Operation Plans**

Good internal control and operational procedures require an entity to have Disaster Recovery and Continuity of Operation plans to ensure Information Technology (IT) operations will continue in case of a disaster or other unforeseen circumstance that may interrupt normal IT operations.

The Agency has significant IT operations, providing communications and data needs for its daily operation. In planning the examination of the Nebraska State Patrol for the fiscal year ended June 30, 2005, the APA made inquiries of the IT manager regarding the status of the Agency's IT Disaster Recovery and Continuity of Operations planning.

Based on these inquiries, it was determined the Agency has some disaster recovery processes in place but written IT Disaster Recovery and Continuity of Operations Plans have not been developed.

When IT Disaster Recovery and Continuity of Operations plans have not been developed, there are greater risks, that in the event of a disaster, the Agency would not be prepared to continue to operate in a timely manner.

We recommend the Agency implement formal, comprehensive Disaster Recovery and Continuity of Operations plans that are written and fully tested in order to be better prepared in the event an interruption to its IT operations occurs. In developing these plans, the Agency should work closely with the State of Nebraska's IT Department to ensure compatibility with the State of Nebraska's Disaster Recovery and Continuity of Operations plans.

*Agency's Response: The Nebraska State Patrol (NSP) Information Technology (IT) Division is continually upgrading our Disaster Recovery and Continuity of Operation Plans. The NSP IT Division is currently working with Information Management Services (IMS) with the Department of Administrative Services (DAS) under the administration of the State of Nebraska Chief Information Officer (CIO) to develop both internal and external plans for disaster recover and*



NEBRASKA STATE PATROL

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**4. Disaster Recovery and Continuity of Operation Plans (Concluded)**

*Agency's Response, Concluded:*

*business continuity (DR/BC). We frequently attend, when time permits, state level meetings to assist in developing DR/BC plans. We are also continuing to design architecture and fail over in our enterprise network and data center infrastructure as operational funding becomes available and time allows. As the state team gets closer to a completed written and developed DR/BC plan, the NSP will compose a plan integrating the efforts of the state plan into our agency plan. We will also work with other state agencies to physically share resources for our most efficient and rapid restoration of operations and services. The NSP understands the risks of not having written disaster Recover and Continuity of Operation plans and hope to make it a priority as time and funding allows.*

**5. Vehicle Management**

Good internal control requires written policies and procedures concerning the maintenance of vehicles. Good internal control and records management require adequate records be maintained to ensure assets are kept in good working order.

The Agency currently owns and maintains a fleet of 760 vehicles. This fleet consists of patrol cars, passenger vehicles, vans, trucks, trailers, all terrain vehicles, and sports utility vehicles. Discussion with Agency management indicated no written policies and procedures exist concerning the upkeep and disposal criteria for vehicles owned by the Agency. Management also indicated the responsibility for vehicle maintenance and upkeep lies solely with the trooper or individual who has been issued the vehicle. It was also noted the only records of vehicle maintenance maintained by the Agency were for major repairs. These records are filed by unit number in the Accounting Division and the responsible individuals Troop Area headquarters.

Currently, the Agency does not have a centralized computer system to keep track of the various maintenance and repairs performed to a unit. Management indicated that a computerized system to manage their fleet is needed.

Without adequate written policies and records there is less assurance vehicles will be properly maintained and less assurance vehicles will be replaced for the optimum benefit of the State.

We recommend the Agency develop written policies and procedures concerning the maintenance and disposal of vehicles. We also recommend the Agency consider developing or obtaining a fleet management system that would help the Agency more effectively manage its vehicle fleet.

NEBRASKA STATE PATROL

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**5. Vehicle Management** (Concluded)

*Agency's Response: The Nebraska State Patrol will be conferring with the Nebraska Information System to determine if a fleet management component will be included with the upcoming upgrades to the system.*

**6. 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 75-369.06 R.R.S. 2003 directs the Agency to deposit fines and penalties into the Permanent School Fund. During fiscal year 2005, the Agency deposited \$26,544 into the Permanent School Fund for fines and penalties.

There is a conflict between the Agency's statute and the Nebraska Constitution. If fines and penalties are deposited into the Permanent School Fund as provided by statute, the monies are not being distributed as required by the Nebraska Constitution.

We recommend the Agency request a legal opinion from the Attorney General requesting guidance for the appropriate fund to deposit all fines and penalties. We also recommend the Agency work with the Legislature to resolve the apparent conflict between State statutes and the Nebraska Constitution.

*Agency's Response: The Nebraska State Patrol will endeavor to obtain guidance for the appropriate fund to deposit all fines and penalties.*

NEBRASKA STATE PATROL

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**7. Payroll**

Good internal control requires information in NIS to be correct, and it also requires procedures to immediately eliminate terminated individuals from accessing NIS.

Good internal control also requires an adequate review of those individuals who have the authority to override any payroll function.

NAPE/AFSCME labor contract item 14.24 Advancement of Vacation and Sick Leave states, "Agency heads may advance vacation and sick leave to employees in an amount not to exceed a total of 80 hours (pro-rated for part-time employees). Employees shall reimburse the State for all used unearned vacation and sick leave upon separation or transfer."

NAPE/AFSCME labor contract item 14.8 Vacation Leave Payment states, "Employees who leave employment shall be paid for any unused accumulated vacation leave earned, calculated on their base hourly rate. Pay for the unused accumulated vacation leave shall be in a lump sum addition to the employee's last paycheck." NAPE/AFSCME labor contract item 14.14 states, "All sick leave shall be forfeited upon separation from employment, except that an employee age 55 or above, or of a younger age if the employee meets all criteria necessary to retire under the primary retirement plan covering his/her State employment, or at death, shall receive a one-time payment of one quarter of his/her accumulated sick leave not to exceed 55 days. An employee may only receive this payout once no matter how many times the employee is re-employed with the State. A retiree returning to State employment will begin earning vacation and sick leave at the beginning earning rate of a newly hired employee."

Internal Revenue Service Treasury Regulation 1.62-2 #2 requires the payee to substantiate the expenses claimed by the payer within a reasonable time. The Agency has no formal policy regarding what is required documentation under the Accountable Plan.

We noted the following related to payroll testing:

- Four employees were approved for negative vacation without approval from the Agency head and there was no policy regarding the advanced vacation leave. The employees received approval from their respective supervisor, but the contract states only agency heads may approve advanced vacation leave. Without adequate procedures to approve advanced leave, there is an increased risk for misuse of leave.

NEBRASKA STATE PATROL

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**7. Payroll (Concluded)**

- One of five terminated employees tested had the wrong termination date on NIS, one of five terminated employees did not get their final check to pay off vacation and sick leave, and one of four terminated employees had additional pay stubs on NIS and they were not removed from NIS access in a timely manner. Without adequate policies to ensure pay off of terminated employees is correct, there is a greater risk for incorrect payouts.
- Every uniformed employee receives a \$100 expense reimbursement per the Agency's Accountable Plan. The Agency has no formal policy regarding the Accountable Plan which should state what is required and what is or is not allowed. The uniformed employees keep track of their expenses and record the monthly expenses on their timesheets. Without a formal policy, there is a greater risk of misusing the Accountable Plan.
- There was no individual review of the payroll register for those individuals with code 22 authority on NIS. These individuals have the authority to override any payroll function.

We recommend the following:

- The Agency comply with the labor contract and have the Agency head approve all negative leave hours.
- Develop a State Patrol Vacation Leave Policy that specifies how much negative leave can be used in advance and who will authorize such leave.
- Develop a termination checklist to verify all individuals are paid out correctly and notify DAS of terminated employees immediately.
- Develop a written Accountable Plan Policy.
- Someone review those individuals with code 22 authority independently on the payroll register and verify the amounts are correct. We also recommend that whoever reviews these individuals would document their review in some way.

*Agency's Response: The Nebraska State Patrol will comply with this recommendation.*

NEBRASKA STATE PATROL

COMMENTS AND RECOMMENDATIONS

(Continued)

**8. Spending Authority**

An appropriation is defined as an authorization to make expenditures and incur obligations. This authority is granted by the Legislature and each agency is expected to operate within these limits. Furthermore, good business practices require expenditures be recorded in the correct year. Expenditures for goods or services received in the prior year should be recorded as a prior year obligation and expenditures for goods or services received in the current year should be recorded as a current year obligation.

We noted the Agency over-obligated its spending authority by \$199,241 in Program 189-Command and Support/Operations General Fund, \$26,798 in Program 190-Criminal Investigations Cash Funds, and \$100,721 in Program 195-Road Operations/Operations General Fund. We also noted in our review of disbursements paid in July and August 2005, one document from the prior fiscal year for \$53,966 which was not properly identified as a prior year obligation.

We recommend the Agency closely monitor disbursements at the end of the fiscal year to ensure it does not exceed the appropriations established by the Legislature. We further recommend the Agency follow procedures to identify disbursements to the proper fiscal year.

*Agency's Response: The Nebraska State Patrol does closely monitor disbursements at the end of the fiscal year to ensure it does not exceed the appropriations established by the Legislature. However, on occasion, circumstances arise which are beyond the control of the agency. This was demonstrated in 2005, when the price of gasoline escalated so rapidly.*

**9. Travel**

Internal Revenue Service (IRS) Publication 463 requires an accountable plan to have adequate accounting of expenses. The publication states that adequate accounting requires employees to submit to their employers 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, along with documentary evidence. The publication states, "Documentary evidence ordinarily will be considered adequate if it shows the amount, date, place, and essential character of the expense." Based on discussion with IRS staff, adequate documentation must include the name of the restaurant.

Good internal control requires procedures to ensure all requirements are reasonable and necessary expenses and that adequate supporting documentation be maintained. Good business practices require supporting documentation agree to amounts paid out and be correctly coded.

NEBRASKA STATE PATROL

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**9. Travel** (Concluded)

We noted the following during our examination:

- Three of ten expense reimbursements tested did not have meal logs or receipts on file.
- Seven of ten meal logs tested did not contain adequate detail. These seven meal logs either did not include the city or the restaurant name.

Without adequate procedures to substantiate meal expenses and follow Agency policies, there is an increased risk of loss or misuse of State funds. Lack of adequate documentation could also cause the State to lose its accountable plan status with the IRS, at which time any reimbursement to employees for meals would be taxable income.

We recommend the Agency implement procedures to ensure meal expenses are adequately substantiated, which would include the date, purpose, location, restaurant, meal, and amount. We also recommend the Agency implement policies and procedures to ensure only meals not provided by conferences are reimbursed and that expenditures be coded to the proper accounts.

*Agency's Response: The Nebraska State Patrol will be developing policies and procedures to ensure that the agency is in compliance with the Internal Revenue Service Accountable Plan guidelines.*

**10. Accounting for Federal Funds**

Title 28 Code of Federal Regulations (CFR) Chapter 66.20(a) and 49 CFR 18.20(a) states, "A state must expend and account for grant funds in accordance with state laws and procedures for expending and accounting for its own funds." NIS is the official accounting system for the State of Nebraska. 28 CFR 66.20(b) and 49 CFR 18.20(b) requires, "Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant ...". Good internal control requires procedures to ensure Federal expenditures reported reconcile to NIS.

We noted the following:

- \$44,869 reported to the Nebraska Commission on Law Enforcement and Criminal Justice for the Sex Offender Registration grant was not coded to the grant on NIS.

NEBRASKA STATE PATROL

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**10. Accounting for Federal Funds** (Concluded)

- \$1,680 reported to the Nebraska Commission on Law Enforcement and Criminal Justice for Mid and Upper Level Enforcement (M.U.L.E.) grant was not coded to the grant on NIS.
- \$26 reported to the Department of Transportation for the 2005 Motor Carrier Safety Assistance Program (MCSAP) grant should have been reported for the 2004 grant.
- An unexplained variance existed between the amounts reported to the Department of Transportation for the MCSAP grant and NIS. NIS expenditure amounts were \$42 less than what was reported to the Department of Transportation.

Failure to record grant funds on NIS results in noncompliance with Federal regulations and increases the risk of noncompliance with additional Federal requirements, such as reporting and subgrantee monitoring, which could result in Federal sanctions.

We recommend the Agency implement procedures to comply with Federal regulations and record all transactions on NIS. We further recommend expenditures reported to the Federal grantor be reconciled to NIS and any errors be corrected in a timely manner.

*Agency's Response: The Nebraska State Patrol is implementing procedures to comply with Federal regulations and is recording all transactions on NIS and will be reconciled to the reports submitted to the Federal Grantor agencies.*

**11. Contracts**

Neb. Rev. Stat. Section 81-1118(5) R.S.Supp., 2004 states, "All purchases of and contracts for materials, supplies, or equipment and all leases of personal property shall be made in the following manner except in emergencies approved by the Governor: (a) By a competitive formal sealed bidding process through the materiel division in all cases in which the purchases are of estimated value in the amount of twenty-five thousand dollars or more; (b) By a competitive informal bidding through the materiel division in all cases in which the purchases are of estimated value equal to or exceeding ten thousand dollars but less than twenty-five thousand dollars; (c) By unrestricted open market purchases through the materiel division in all cases in which purchases are of estimated value of less than ten thousand dollars." Good internal control and business practices require that the best possible price for purchases be obtained through informal bids and documentation of this process be maintained. Good internal control also requires purchases receive approval before purchases are made.

NEBRASKA STATE PATROL

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**11. Contracts** (Concluded)

During testing we noted the Agency does not always determine the lowest cost for purchases of goods and services which fall under the \$25,000 limit by informal bidding. It was also noted during testing that some items were purchased before a purchase order was sent into the Agency's purchasing division for approval.

Noncompliance with State statutes increases the risk of loss or misuse of State funds. An increased risk of unauthorized expenditures also exists.

We recommend the Agency perform informal bidding for purchases less than \$25,000 and that these informal bids be documented. We also recommend purchases not be made until a purchase order has been approved.

*Agency's Response: The Nebraska State Patrol will develop policies and procedures to ensure that informal bids are obtained and documented for purchases under \$25,000.*

**12. 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,



NEBRASKA STATE PATROL

COMMENTS AND RECOMMENDATIONS

(Continued)

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

\$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.

*Agency's Response: The Nebraska State Patrol will assist with any requests to resolve this situation.*

# STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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## NEBRASKA STATE PATROL

### INDEPENDENT ACCOUNTANT'S REPORT

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

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

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

Tim Channer, CPA  
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In our opinion, the schedule referred to above presents, in all material respects, the revenues, expenditures, and changes in fund balances of the Nebraska State Patrol 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.

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In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2006, on our consideration of the Nebraska State Patrol'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

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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 Agency and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

February 27, 2006

  
Assistant Deputy Auditor

NEBRASKA STATE PATROL  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
For the Fiscal Year Ended June 30, 2005

	General Fund 10000	Drug Control & Education Fund 26410	Carrier Enforcement Fund 26430	NE State Patrol Cash Fund 26440
<b>REVENUES:</b>				
Appropriations	\$ 40,688,281	\$ -	\$ -	\$ -
Taxes	-	-	-	(291)
Intergovernmental	50	-	-	72,138
Sales & Charges	-	-	-	1,954,779
Restitutions	-	-	-	-
Recoveries	-	-	-	-
Miscellaneous	2,305	3,583	46,919	31,606
<b>TOTAL REVENUES</b>	<b>40,690,636</b>	<b>3,583</b>	<b>46,919</b>	<b>2,058,232</b>
<b>EXPENDITURES:</b>				
Personal Services	33,132,752	-	3,935,631	1,166,660
Operating	6,665,775	-	677,348	1,183,902
Travel	78,695	-	22,005	20,376
Capital Outlay	811,059	-	375,791	172,404
Government Aid	-	-	-	3,181
<b>TOTAL EXPENDITURES</b>	<b>40,688,281</b>	<b>-</b>	<b>5,010,775</b>	<b>2,546,523</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,355	3,583	(4,963,856)	(488,291)
<b>OTHER FINANCING SOURCES (USES):</b>				
Sales of Assets	20,698	-	-	-
Adjustment to Fund Balance	-	-	-	-
Deposit to General Fund	(23,053)	-	-	-
Deposit to/from Common Fund	-	-	-	-
Operating Transfers In	-	-	5,536,745	80,801
Operating Transfers Out	-	-	-	(85,967)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(2,355)</b>	<b>-</b>	<b>5,536,745</b>	<b>(5,166)</b>
Net Change in Fund Balances	-	3,583	572,889	(493,457)
<b>FUND BALANCES, JULY 1, 2004</b>	<b>2,039</b>	<b>93,522</b>	<b>817,920</b>	<b>1,054,710</b>
<b>FUND BALANCES, JUNE 30, 2005</b>	<b>\$ 2,039</b>	<b>\$ 97,105</b>	<b>\$ 1,390,809</b>	<b>\$ 561,253</b>
<b>FUND BALANCES CONSIST OF:</b>				
General Cash	\$ -	\$ 102,630	\$ 1,111,577	\$ 428,876
Petty Cash	-	-	4,700	15,450
NSF Items	-	-	-	1,131
Deposits with Vendors	2,039	-	471	-
Accounts Receivable Invoiced	-	-	-	15,481
Due From Other Funds	-	-	300,000	100,000
Due From Other Government	-	-	935	437
Due to Vendors	-	-	(7,025)	(122)
Due to Fund	-	(5,525)	-	-
Rec'd - Not Vouchered	-	-	-	-
Vehicles & Vehicle Equip.	-	-	(19,849)	-
<b>TOTAL FUND BALANCES</b>	<b>\$ 2,039</b>	<b>\$ 97,105</b>	<b>\$ 1,390,809</b>	<b>\$ 561,253</b>

The accompanying notes are an integral part of the schedule.

Vehicle Replacement Fund 26450	Public Safety Cash Fund 26460	State Patrol Federal Fund 46410	Permanent School Trust Fund 63340	NOT included on NIS		Total (Memorandum Only)
				Investigative Cash Fund	Auto Theft Cash Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,688,281
-	-	-	-	-	-	(291)
-	479,367	7,553,580	-	-	-	8,105,135
-	-	-	-	-	-	1,954,779
-	-	-	-	2,101	-	2,101
-	-	-	-	6,500	-	6,500
33,414	132,338	13,655	26,544	3,249	-	293,613
<u>33,414</u>	<u>611,705</u>	<u>7,567,235</u>	<u>26,544</u>	<u>11,850</u>	<u>-</u>	<u>51,050,118</u>
-	199,213	3,261,090	-	25,443	-	41,720,789
40,391	1,187,542	1,364,697	-	98,358	500	11,218,513
-	143,011	102,015	-	-	-	366,102
218,518	505,210	1,654,563	-	-	-	3,737,545
-	5,000	1,302,226	-	-	-	1,310,407
<u>258,909</u>	<u>2,039,976</u>	<u>7,684,591</u>	<u>-</u>	<u>123,801</u>	<u>500</u>	<u>58,353,356</u>
<u>(225,495)</u>	<u>(1,428,271)</u>	<u>(117,356)</u>	<u>26,544</u>	<u>(111,951)</u>	<u>(500)</u>	<u>(7,303,238)</u>
331,189	-	-	-	-	-	351,887
-	-	-	-	-	-	-
-	-	-	-	-	-	(23,053)
-	-	-	(26,544)	-	-	(26,544)
-	-	-	-	85,967	-	5,703,513
-	-	-	-	-	-	(85,967)
<u>331,189</u>	<u>-</u>	<u>-</u>	<u>(26,544)</u>	<u>85,967</u>	<u>-</u>	<u>5,919,836</u>
105,694	(1,428,271)	(117,356)	-	(25,984)	(500)	(1,383,402)
60,921	4,445,135	(49,909)	-	34,199	2,821	6,461,358
<u>\$ 166,615</u>	<u>\$ 3,016,864</u>	<u>\$ (167,265)</u>	<u>\$ -</u>	<u>\$ 8,215</u>	<u>\$ 2,321</u>	<u>\$ 5,077,956</u>
\$ 166,615	\$ 3,017,547	\$ 215,456	\$ -	\$ 8,215	\$ 2,321	\$ 5,053,237
-	-	-	-	-	-	20,150
-	-	-	-	-	-	1,131
-	-	314	-	-	-	2,824
-	-	4,244	-	-	-	19,725
-	-	-	-	-	-	400,000
-	-	(528)	-	-	-	844
-	(683)	(2,937)	-	-	-	(10,767)
-	-	(400,000)	-	-	-	(405,525)
-	-	16,186	-	-	-	16,186
-	-	-	-	-	-	(19,849)
<u>\$ 166,615</u>	<u>\$ 3,016,864</u>	<u>\$ (167,265)</u>	<u>\$ -</u>	<u>\$ 8,215</u>	<u>\$ 2,321</u>	<u>\$ 5,077,956</u>

NEBRASKA STATE PATROL

**NOTES TO THE SCHEDULE**

For the Fiscal Year Ended June 30, 2005

**1. Criteria**

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

Per Neb. Rev. Stat. Section 81-1107(2) R.S.Supp., 2004, the State of Nebraska Director of Administrative Services duties include “The keeping of general accounts and the adoption and promulgation of appropriate rules, regulations, and administrative orders designed to assure a uniform and effective system of accounts and accounting, the approval of all vouchers, and the preparation and issuance of warrants for all purposes.”

The Nebraska Information System (NIS) is the official accounting system prescribed by DAS for the State of Nebraska. Policies and procedures are detailed in NIS manuals and Nebraska Accounting System Concepts published by DAS and available to the public. The financial information used to prepare the schedule of revenues, expenditures, and changes in fund balances for the Agency was obtained directly from the NIS, except the Investigative and Auto Theft cash funds which were obtained from separate records maintained by the State Patrol. Funding for these funds comes from the State’s General fund and flows through the NE State Patrol Cash Fund (a fund established on NIS) to a separate bank account as required by State Statute. NIS records accounts receivable and accounts payable as transactions occur. As such certain revenues are recorded when earned and expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows. The accounts payable liability recorded on NIS, and thus recorded as expenditures, as of June 30, 2005, includes only those payables posted to NIS before June 30, 2005, and not yet paid as of that date. The amount recorded as expenditures as of June 30, 2005, **does not** include amounts for goods and services received before June 30, 2005, which had not been posted to NIS as of June 30, 2005.

NIS also records other liabilities (primarily in the Distributive Fund Type) in accounts titled Tax Refund Payable, Deposits, Due to Fund and Due to Government. The assets in these funds are being held by the State as an agent and will be used to pay those liabilities to individuals, private organizations, other governments, and/or other funds. The recording of those liabilities reduces the fund balance/equity.

The NIS system does not include liabilities for accrued payroll and compensated absences.

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

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

NEBRASKA STATE PATROL

NOTES TO THE SCHEDULE

(Continued)

1. **Criteria** (Continued)

**20000 – Cash Funds** – account for revenues generated by specific activities from sources outside of State government and the expenditures directly related to the generation of the revenues. Cash funds are established by State statutes and must be used in accordance with those statutes.

**40000 – Federal Funds** – account for all federal grants and contracts received by the State. Expenditures must be made in accordance with applicable federal requirements.

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

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

**Appropriations** – Appropriations are granted by the Legislature to make expenditures and to incur obligations. The amount of appropriations reported as revenue is the amount of expenditures.

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

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

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

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

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

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

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

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

NEBRASKA STATE PATROL

**NOTES TO THE SCHEDULE**

(Continued)

**1. Criteria** (Concluded)

**Government Aid** – Payment of Federal and/or State money to governmental subdivisions, State agencies, local health and welfare offices, individuals, etc., in furtherance of local activities and accomplishment of State programs.

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

**Assets** – Resources owned or held by a government that have monetary value. Assets include cash accounts, deposits with vendors, receivable accounts, and due from other funds. 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 liabilities recorded on NIS for the Agency's funds at June 30, 2005, included Due to Fund and Due to Government. The activity of these accounts are not recorded on the Schedules of Revenues, Expenditures, and Changes in Fund Balances as they are not recorded through revenue and expenditure accounts.

**Other Financing Sources** – Operating transfers, proceeds of fixed asset dispositions, Deposit to General Fund, and Deposit to/from Common Fund.

**2. State Agency**

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

The Nebraska State Patrol is part of the primary government for the State of Nebraska.

**3. Totals**

The Totals "Memorandum Only" column represents an aggregation of individual account balances. The column is presented for overview informational purposes and does not present consolidated financial information because interfund balances and transactions have not been eliminated.



NEBRASKA STATE PATROL

**NOTES TO THE SCHEDULE**

(Continued)

**4. 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 Agency 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, the Nebraska State Patrol records on their fixed asset records all weapons, equipment that has a cost of \$1,500 at the date of acquisition and has an expected useful life of two or more years is capitalized and certain electronic equipment below this amount to provide additional accountability over this type of equipment. Substantially all initial building costs, land, and land improvements costing in excess of \$100,000 are capitalized. Building improvements and renovations in excess of \$100,000 are capitalized if a substantial portion of the life of the asset has expired and if the useful life of the asset has been extended as a result of the renovation or improvement. 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.

Buildings and Equipment are depreciated using the straight-line method. The following estimated useful lives are used to compute depreciation:

Buildings	40 years
Equipment	3-10 years

**5. Transfers**

**A. Transfers In – Fund 26430**

The Carrier Enforcement Division began its operations pursuant to Neb. Rev. Stat. Section 60-1303 R.S.Supp., 2005. Section 60-1303(5) requires the Nebraska Department of Roads to contract with the Nebraska State Patrol for the operation of weigh stations and the funding for the same. During the fiscal year ended June 30, 2005, the State Treasurer transferred from the Nebraska Department of Roads to the Nebraska State Patrol a total of \$5,536,745 for the operations of the Carrier Enforcement Division. The total collected by the Nebraska State Patrol for reciprocity and fuel permits during the fiscal year ended June 30, 2005, was \$244,740. These collections were deposited directly into the cash fund (22700) of the Nebraska Department of Roads. Thus, they are not reflected in the financial statements of the Nebraska State Patrol.

NEBRASKA STATE PATROL

**NOTES TO THE SCHEDULE**

(Continued)

**5. Transfers (Concluded)**

**B. Transfers In and Out - Fund 26440 and Transfers In - Investigative Cash Fund**

2004 Neb. Laws LB 1089, Section 267(2)(b), appropriated funds to the Nebraska State Patrol Cash Fund 26440, with the intent that a total of \$115,000 be made available, consisting of existing balance and new appropriation, to the Nebraska State Patrol to be used in making drug purchases, enforcing Nebraska laws relating to felonies, enforcing the Nebraska liquor laws, and paying for investigative expenses.

For fiscal year 2005, a total of \$80,801 was appropriated and transferred from the General Fund to the Nebraska State Patrol Cash Fund 26440 for these purposes. The Nebraska State Patrol then transfers these funds from the Nebraska State Patrol Cash Fund 26440 to their Investigative Cash Fund checking account. Checks are drawn on these accounts for distribution to the investigators for investigative expenses and purchases.

The Nebraska State Patrol Cash Fund 26440 also included activity to the Auto Theft Petty Cash Fund, which was established to defray the costs of the vehicle identification inspection program, investigations of odometer and motor vehicle theft, and other investigative expenses when money is specifically appropriated by the Legislature for such purposes. Neb. Rev. Stat. Section 81-2004.03 R.R.S. 1999, authorized the creation of the Investigation Petty Cash Fund to aid in the investigative responsibilities outlined in Neb. Rev. Stat. Section 81-2004.02 R.S. Supp., 2002. The amount of this petty cash fund shall not exceed \$15,000, and money used to create it and replenish it comes solely from the Nebraska State Patrol Cash Fund 26440 to a bank account by issuance of a warrant and charged to an operating expense. No monies were transferred to the Auto Theft Petty Cash Fund during the fiscal year ended June 30, 2005.

**6. Deposits to/from Common Funds**

The Deposits to/from Common Funds in the amount of \$26,544 is the amount the Nebraska State Patrol collects in fines, penalties, and deposits directly into the Permanent School Trust Fund in accordance with State statute.

NEBRASKA STATE PATROL

**NOTES TO THE SCHEDULE**

(Continued)

**7. Due to and Due from Funds**

The Nebraska State Patrol receives Federal grant funds on a reimbursement basis. In order to cash flow the expenditures out of the State Patrol Federal Fund 46410, the Nebraska State Patrol loaned money to the State Patrol Federal Fund from the Carrier Enforcement Fund 26430 in the amount of \$300,000 and from the NE State Patrol Cash Fund 26440 in the amount of \$100,000 for a total of \$400,000. This money will be returned to the cash funds from Federal reimbursement received when there is no longer a cash flow need in the Federal fund.

**8. Adjustments to NIS**

Several adjustments were made from the amounts recorded on NIS as the amounts were recorded in the Drug Control & Education Fund 26410 and they should have been recorded in the State Patrol Cash Fund 26440. The following accounts were adjusted:

	Fund 26410	Fund 26440
	Inc. (Dec.)	Inc. (Dec.)
Intergovernmental Revenue	\$ (5,166)	\$ 5,166
Operating Expenditure	\$ (85,967)	\$ -
Operating Transfers Out	\$ -	\$ 85,967
Operating Transfers In	\$ (80,801)	\$ 80,801

# STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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## NEBRASKA STATE PATROL **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN EXAMINATION OF THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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**Don Dunlap, CPA**  
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We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska State Patrol for the fiscal year ended June 30, 2005, and have issued our report thereon dated February 27, 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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### Internal Control Over Financial Reporting

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In planning and performing our examination, we considered the Nebraska State Patrol's internal control over financial reporting in order to determine our procedures for the purpose of expressing our opinion on the schedule of revenues, expenditures, and changes in fund balances, and not to provide an opinion on the internal control over financial reporting. However, we noted 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 State Patrol'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 12 (Reconciliation of Bank Records to the Nebraska Information System).

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

We also noted certain additional items that we reported to management of the Nebraska State Patrol in the Comments Section of this report as Comment Number 1 (Questionable Payments for SCAN Employees), Comment Number 2 (Fixed Assets), Comment Number 3 (Controls Over Receipts), Comment Number 4 (Disaster Recovery and Continuity of Operation Plans), Comment Number 5 (Vehicle Management), Comment Number 6 (Fines and Penalties), Comment Number 7 (Payroll), Comment Number 8 (Spending Authority), Comment Number 9 (Travel), Comment Number 10 (Accounting for Federal Funds), and Comment Number 11 (Contracts).

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

February 27, 2006

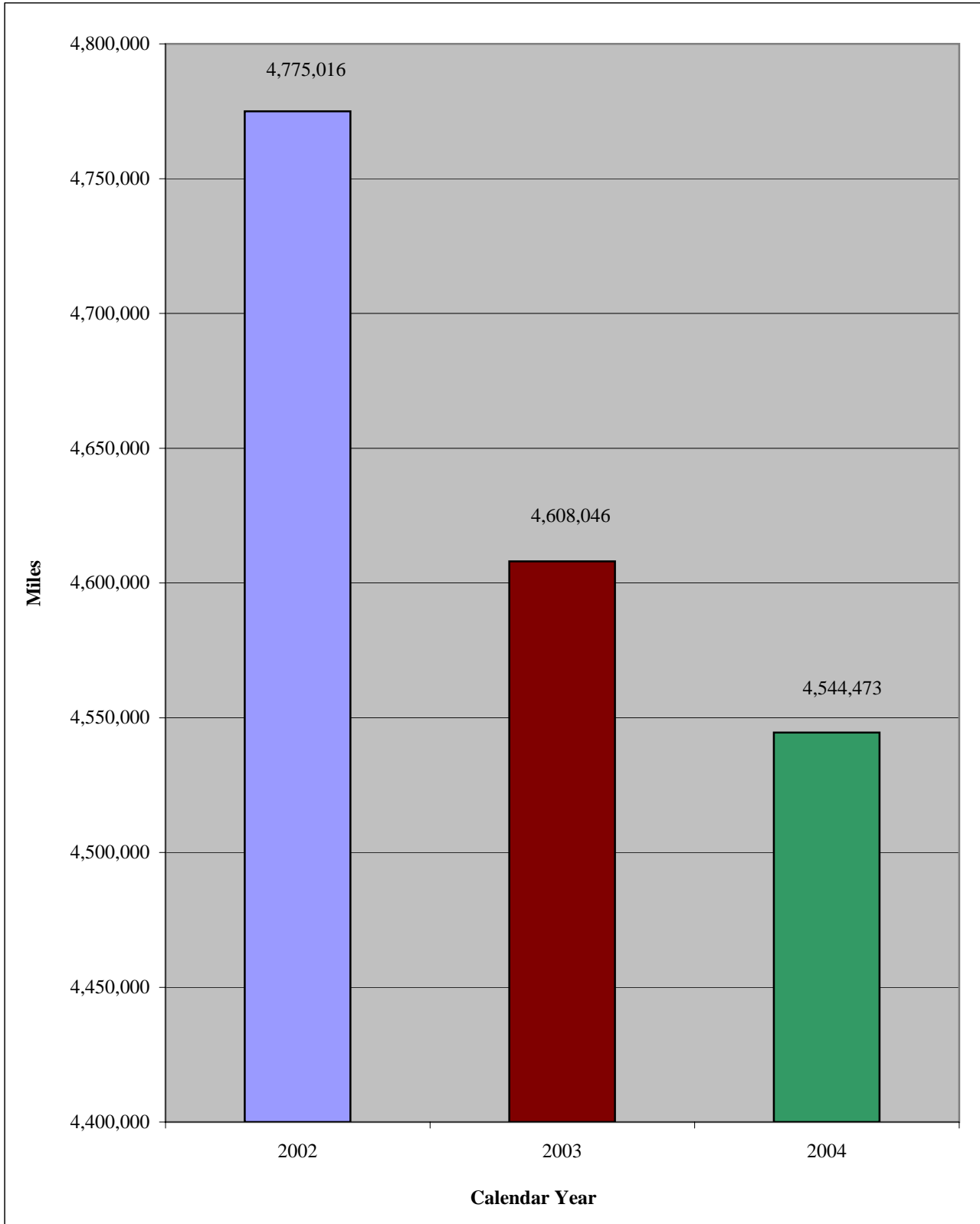
  
Assistant Deputy Auditor

NEBRASKA STATE PATROL

**STATISTICAL SECTION**

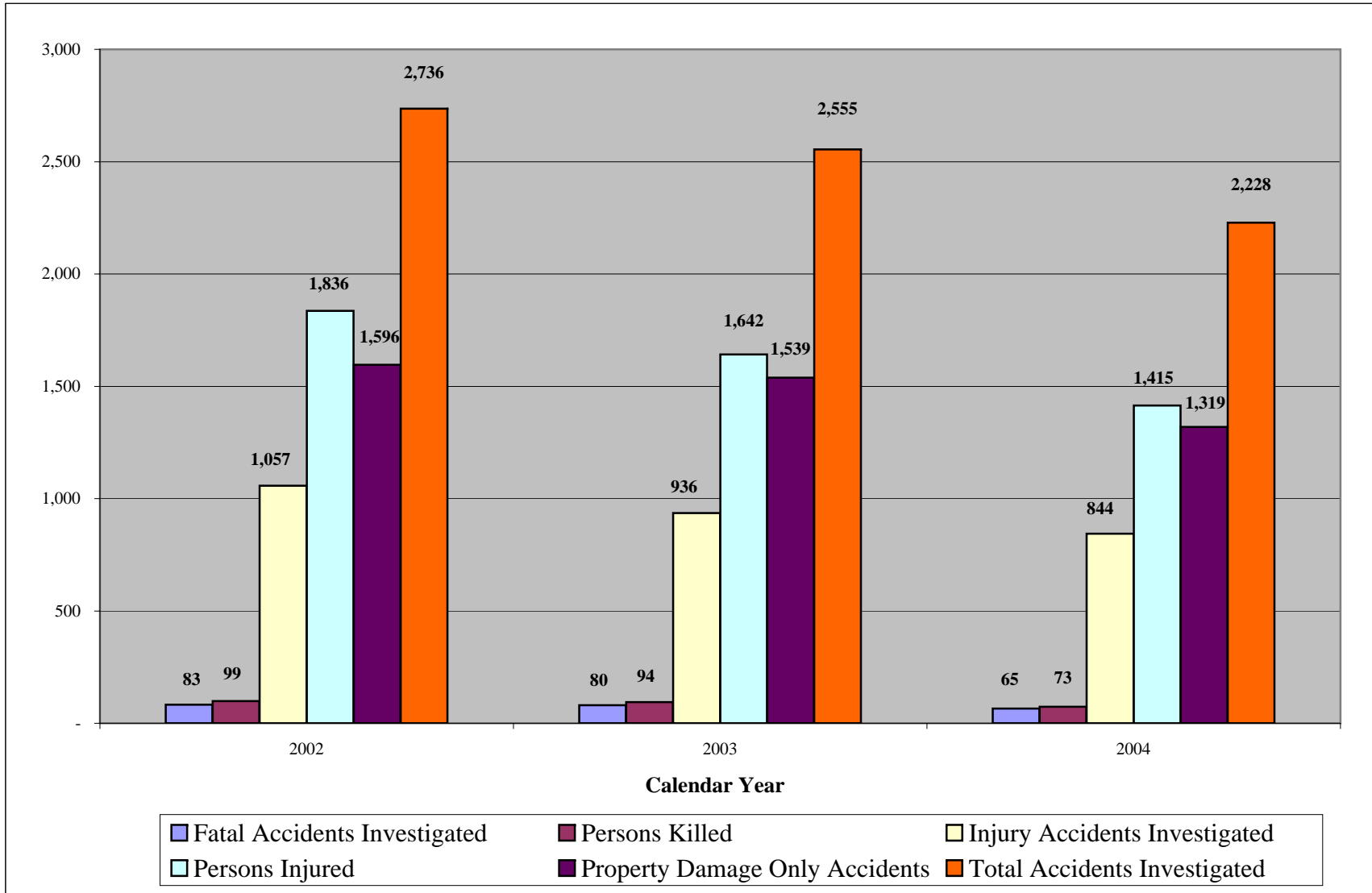
Our examination was conducted for the purpose of forming an opinion on the schedule of revenues, expenditures, and changes in fund balances. Statistical Section information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination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

NEBRASKA STATE PATROL  
**MILES PATROLLED**  
Calendar Years 2002, 2003, and 2004



Source: State Patrol Records.

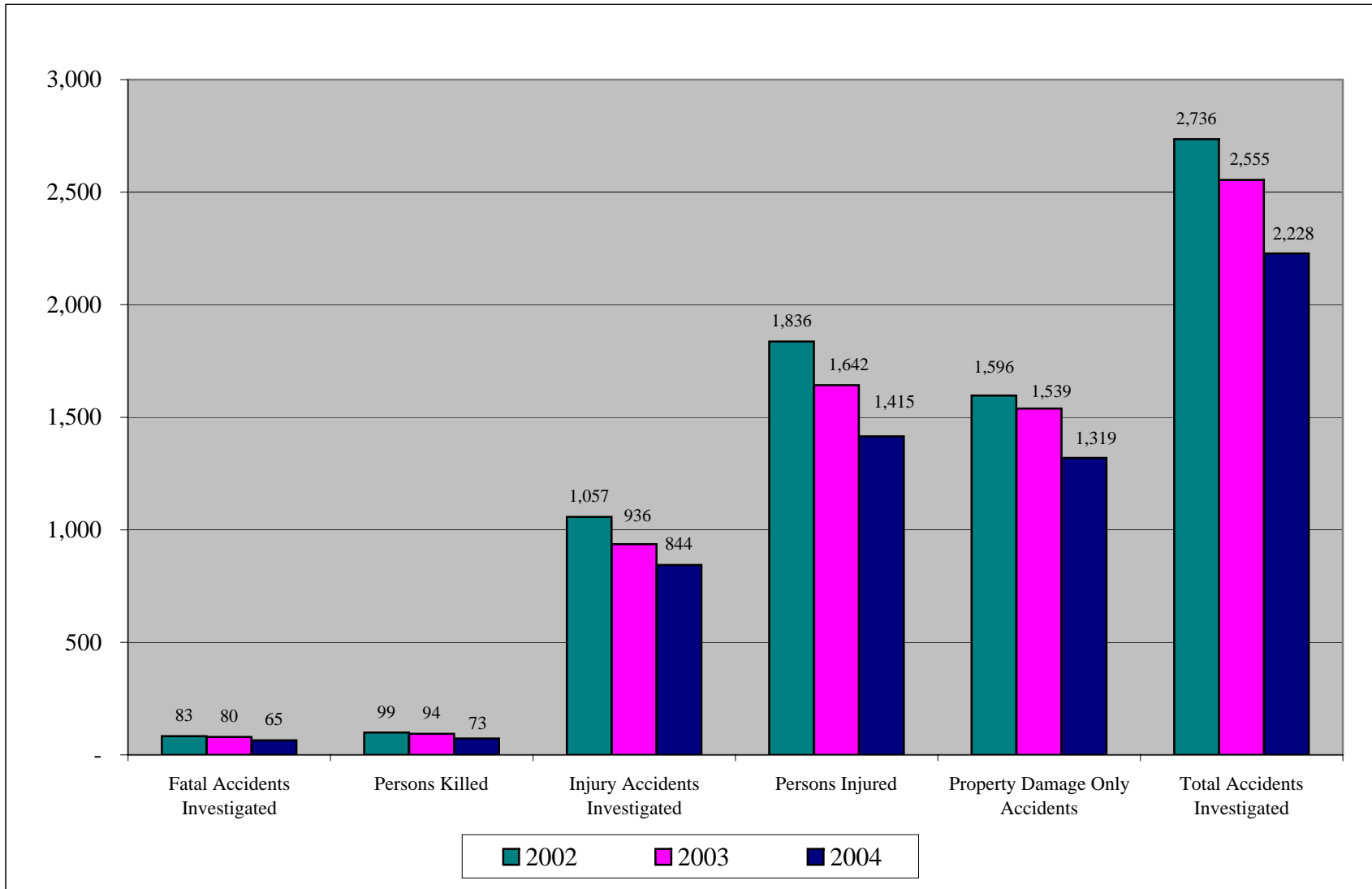
**NEBRASKA STATE PATROL**  
**ACCIDENTS INVESTIGATED BY YEAR**  
 Calendar Years 2002, 2003, and 2004



Source: State Patrol Records.

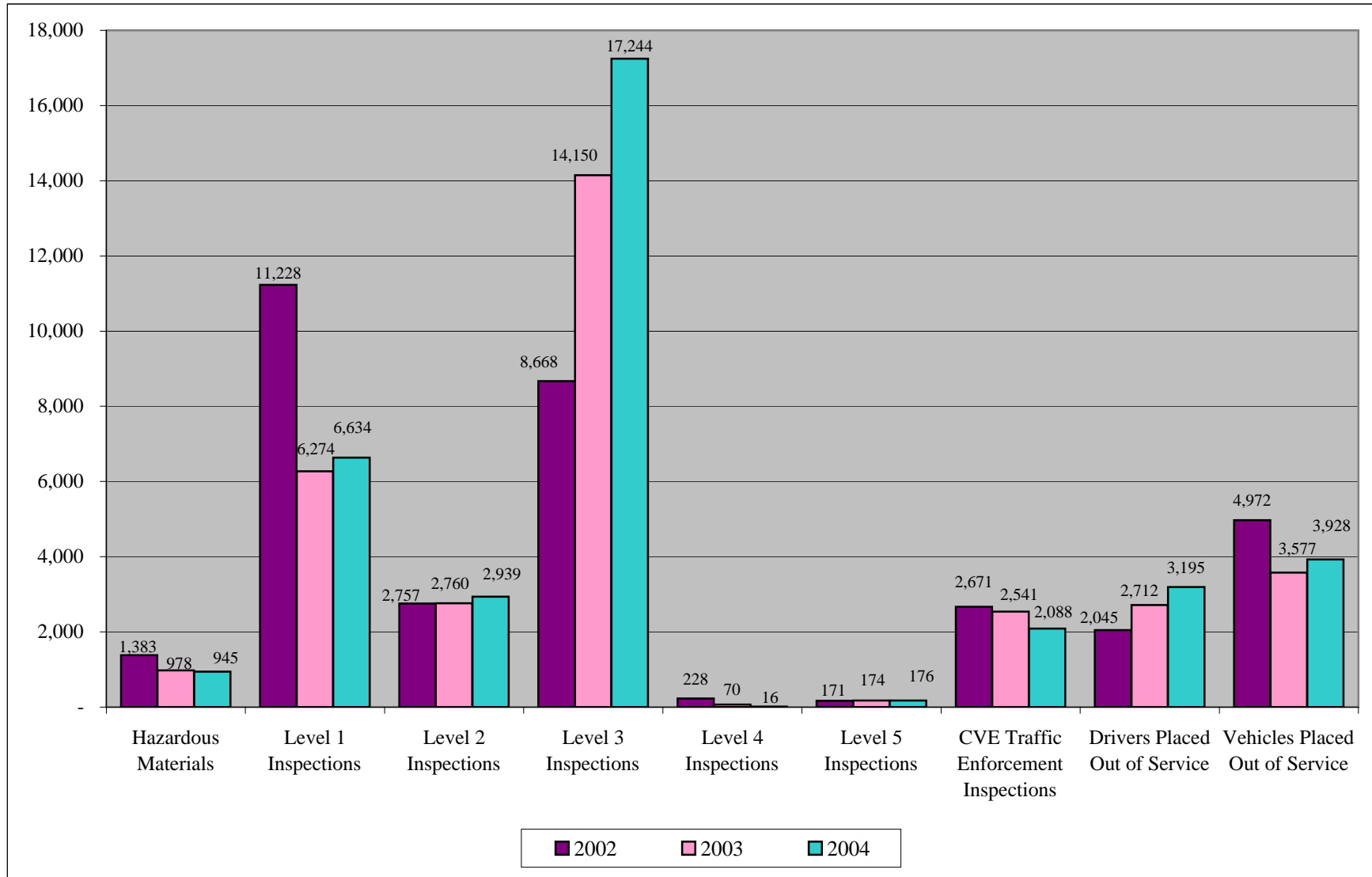


**NEBRASKA STATE PATROL**  
**ACCIDENTS INVESTIGATED BY TYPE**  
 Calendar Years 2002, 2003, and 2004



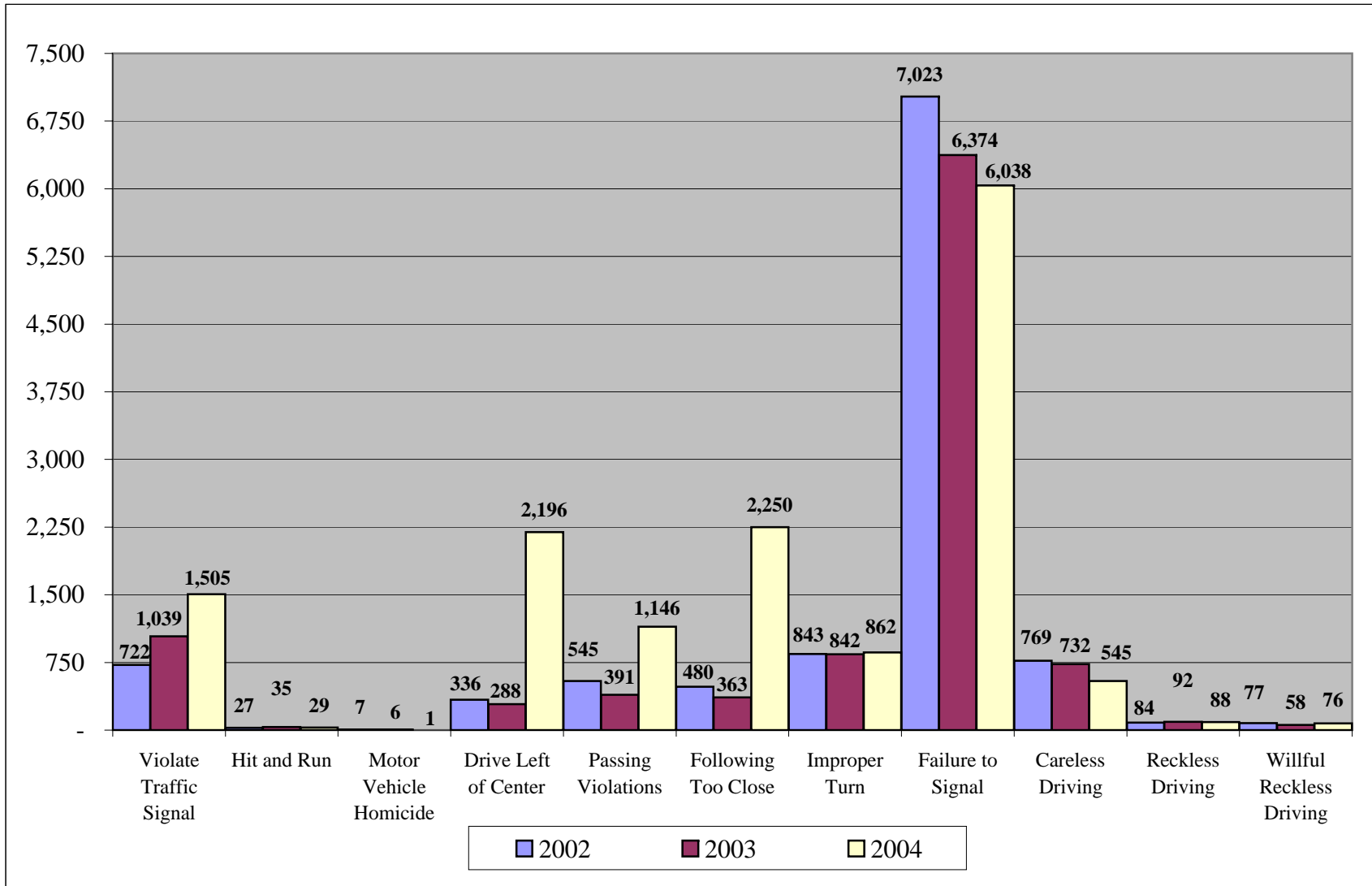
Source: State Patrol Records.

**NEBRASKA STATE PATROL**  
**MOTOR CARRIER SAFETY ADMINISTRATION PROGRAM (MCSAP) - INSPECTIONS PERFORMED**  
 Calendar Years 2002, 2003, and 2004



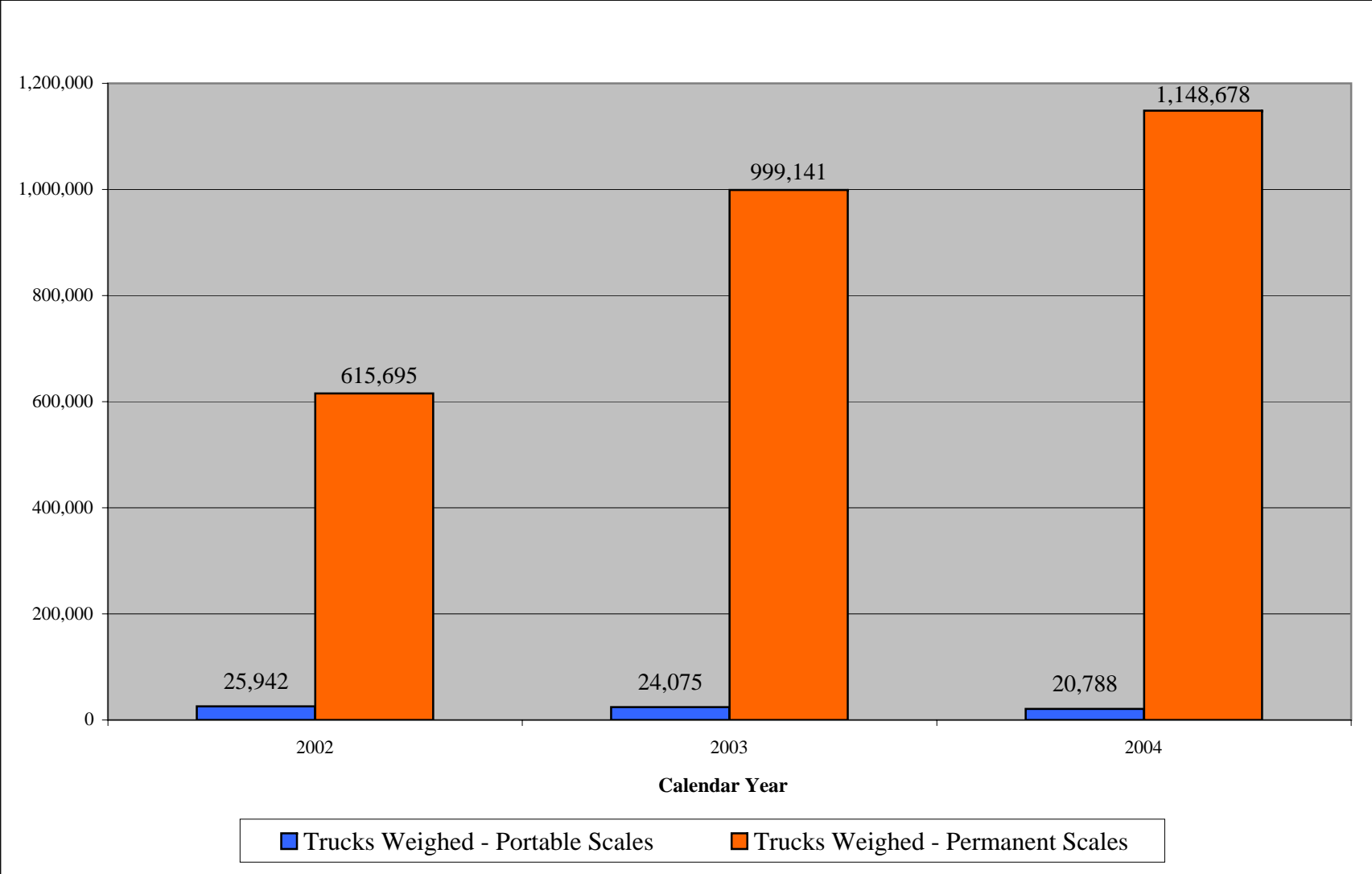
Source: State Patrol Records.

**NEBRASKA STATE PATROL**  
**MOVING VIOLATIONS**  
 Calendar Years 2002, 2003, and 2004



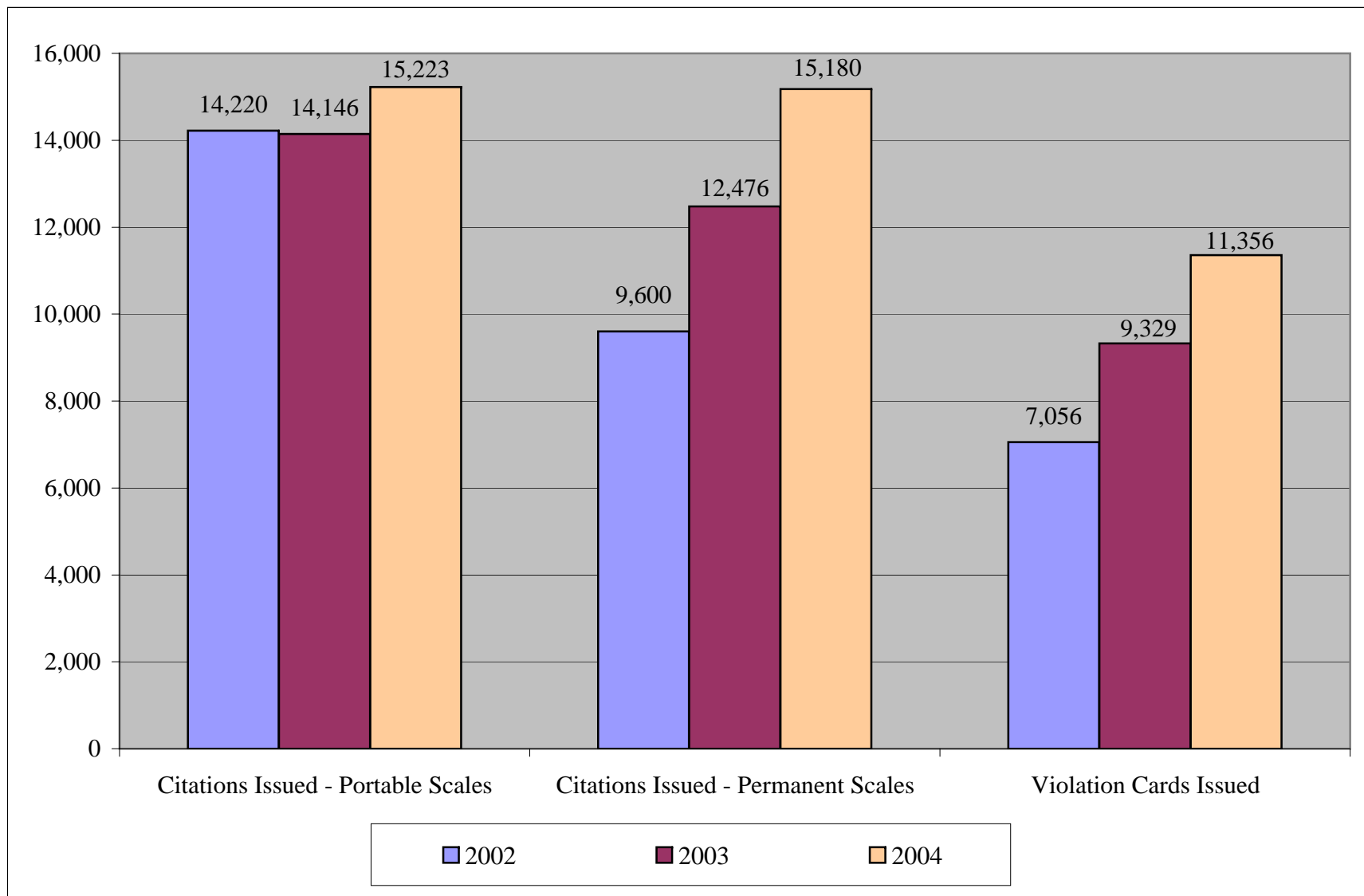
Source: State Patrol Records.

NEBRASKA STATE PATROL  
**CARRIER ENFORCEMENT - SCALE OPERATIONS, TRUCKS WEIGHED**  
Calendar Years 2002, 2003, and 2004



Source: State Patrol Records.

NEBRASKA STATE PATROL  
**SCALE VIOLATIONS**  
Calendar Years 2002, 2003, and 2004



Source: State Patrol Records.