

**ATTESTATION REPORT
OF THE
NEBRASKA COMMISSION ON
MEXICAN-AMERICANS**

JULY 1, 2004 THROUGH JUNE 30, 2005

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Issued on June 28, 2006

NEBRASKA COMMISSION ON MEXICAN-AMERICANS

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NEBRASKA COMMISSION ON MEXICAN-AMERICANS

BACKGROUND

The Nebraska Commission on Mexican-Americans (Commission) was created in 1972. The Commission consists of nine members who are appointed by the Governor to three-year terms. The Governor or the Governor's designee serves as an ex officio member. The Commission employs an Executive Director who is responsible for the day-to-day operations of the office and its staff. The Commission meets on a quarterly basis. Commission members are paid \$35 a day while conducting Commission business and are reimbursed for expenses.

The Commission serves Nebraska's Mexican Americans in education, employment, health, housing, welfare, and assists in the translation of documents for the direct assistance of clients in matters relating to any Federal department or agency or any department or agency of the State or a political subdivision. The Commission develops, coordinates, and assists public and private organizations and coordinates and assists the efforts of State departments and agencies to serve the needs of Mexican Americans. The Commission stimulates public awareness through various programs, workshops, conferences, and studies on the problems of Hispanics along with distributing newsletters. The Commission also answers questions from the public, and assists individual Hispanics with problems on a case-by-case basis.

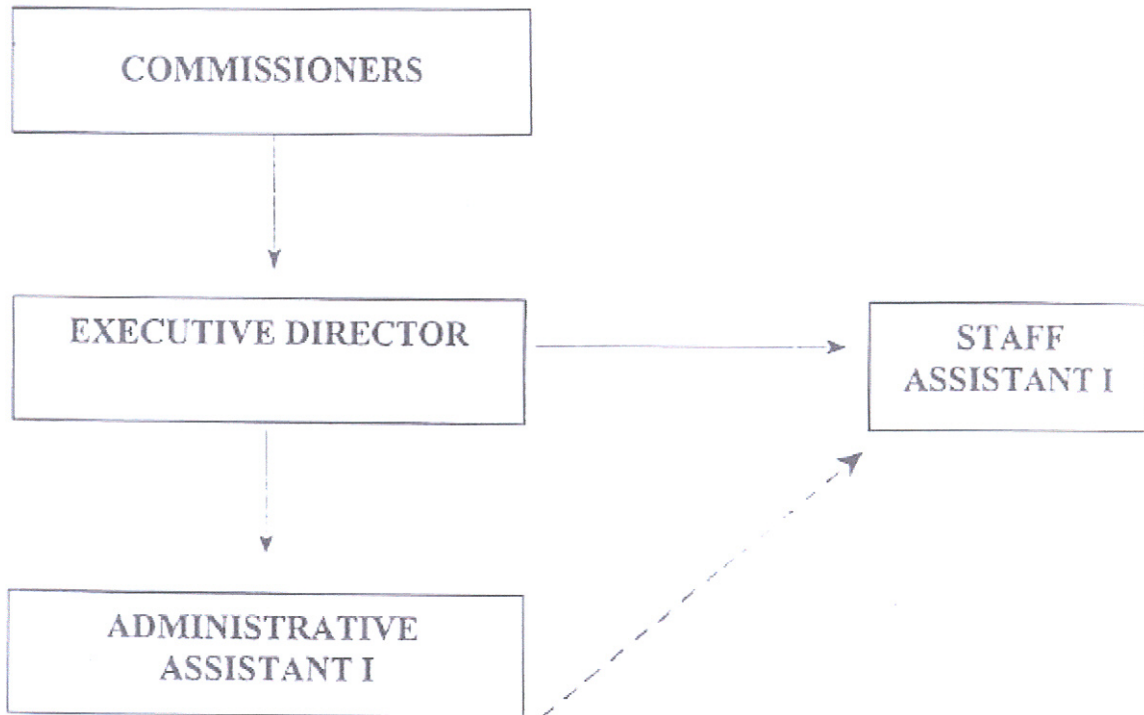
Commission Member	Term Expiration
Ricardo Ariza, Chair	May 16, 2007
Norma Delao	May 16, 2008
Dora Olivares Groskopf	May 16, 2006
Olga Kanne	May 16, 2008
Alex Moreno	May 16, 2006
Yolanda Nuncio	May 16, 2008
Ramon Otero	May 16, 2007
Teresa M. Palacio	May 16, 2006
Jose A. Santos	Ex Officio

MISSION STATEMENT

The Mexican American Commission's mission is to serve in the Nebraska State Government as a voice for Hispanics. By assisting in all aspects of the needs of Latinos in Nebraska through both advocacy and referrals, the Commission aims to create the opportunity for all Hispanic residents of the State to participate in the "Good Life" of Nebraska.

NEBRASKA COMMISSION ON MEXICAN-AMERICANS

ORGANIZATIONAL CHART



NEBRASKA COMMISSION ON MEXICAN-AMERICANS

EXIT CONFERENCE

An exit conference was held June 6, 2006, with the Commission to discuss the results of our examination. In attendance for the Nebraska Commission on Mexican-Americans was:

NAME	TITLE
Cecilia Olivarez Huerta	Executive Director

NEBRASKA COMMISSION ON MEXICAN-AMERICANS

SUMMARY OF COMMENTS

During our examination of the Nebraska Commission on Mexican-Americans, we noted certain matters involving the internal control over financial reporting and other operational matters which are presented here.

1. ***NIS Batch Management:*** One employee was set up within NIS Batch Management to prepare, approve, and post their own batches.
2. ***Travel:*** During our testing of five travel expenditures, we noted receipts for meals did not contain adequate detail, lunch for one-day travel was reimbursed, expense reimbursement documents did not contain all the required information and were not submitted monthly, supporting documentation was not on file, and reimbursement for unreasonable expenses.
3. ***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 Commission 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.

COMMENTS AND RECOMMENDATIONS

1. NIS Batch Management

Good internal control requires an adequate segregation of duties so no one individual can prepare, approve, and post their own batches.

During our review of the Nebraska Information System (NIS) Batch Management, we noted one individual had the ability to prepare, approve, and post her own documents during the fiscal year ended June 30, 2005.

Without an adequate segregation of duties there is an increased risk of possible misappropriation or loss of State assets.

We recommend the Commission implement procedures so no one individual is authorized to prepare, approve, and post their own batches.

Commission's Response: An e-mail dated 6/15/06 was sent to NIS Security, State Accounting, requesting that Cecilia Huerta be removed from creating and approving or posting the same batch. A spreadsheet request was generated on 6/15/06, and a spreadsheet verification was received by Cecilia Huerta, authorized agent of the MAC, that the relationship to create and approve or post the same batch to remove had been accomplished on 6/19/06.

2. Travel

Meals

Internal Revenue Service (IRS) Publication 463 requires an accountable plan to have adequate accounting of expenses. IRS Publication 463 states that adequate accounting requires employees to submit to their employers a statement of expense, an account book, or diary, or similar record in which each expense is entered at or near the time of occurrence, along with documentary evidence. According to the publication, "Documentary evidence ordinarily will be considered adequate if it shows the amount, date, place, and essential character of the expense." A restaurant receipt is enough to prove an expense for a business meal if it has all of the following information: 1) the name and location of the restaurant, 2) the number of people served, and 3) the date and amount of expense. Credit card receipts do not contain adequate detail to substantiate meals.

Nebraska State Accounting Manual AM-005, Travel Expense Policies, Section 6, states "At the agency head's discretion, one-day travel meal expenses (breakfast and supper only) may be reimbursed when it is deemed necessary for the working conditions of the employee."

During testing, we noted:

- For two of four expense reimbursements tested, documentation provided was a credit card receipt and did not contain adequate detail.

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Travel (Continued)

- For one of two expense reimbursements tested, the Commission reimbursed lunch for one-day travel.

Without an adequate accounting of meal expenses from the employee to the employer, the State could lose its accountable plan status. If the State does not have an accountable plan, the amounts reimbursed to employees for meal expenses would be considered taxable income.

We recommend the Commission implement procedures to ensure provisions of the State's accountable plan are met. We also recommend the Commission adhere to Nebraska State Accounting Manual Expense Reimbursement Guidelines by limiting meal reimbursement for one-day travel to breakfast and supper.

Expense Reimbursement Forms

Nebraska State Accounting Manual Expense Reimbursement Guidelines state that start/stop times, employee title, address, and headquarter city should be filled out. Neb. Rev. Stat. Section 81-1174 R.S.Supp., 2004 states, "Whenever any state officer, employee or member of any commission, council, committee, or board of the state is entitled to be reimbursed for actual expenses incurred by him or her in the line of duty, he or she shall be required to present a request for payment or reimbursement each month to the Director of Administrative Services." Good internal control also requires that all trips be supported by adequate supporting documentation.

We noted the following:

- For all four expense reimbursement documents tested, employee job title and residence was not listed.
- For one of four expense reimbursement documents tested, the reimbursement form was not submitted monthly.
- For one of five documents tested, the Commission did not have supporting documentation on file for the event.

Without proper controls to ensure travel expense reimbursements are properly completed, adequately supported, and submitted timely, there is an increased risk of loss or misuse of State funds.

We recommend the Commission adhere to Nebraska State Accounting Manual Expense Reimbursement Guidelines by requiring employee title and address to be recorded on expense reimbursement documents. We also recommend the Commission

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Travel (Concluded)

implement procedures to ensure expense reimbursement documents are submitted on a monthly basis in accordance with State statute and that all trips be adequately supported.

Reasonableness

Good internal control requires procedures to ensure all reimbursements are reasonable and necessary expenses.

During testing, we noted one employee had a mileage reimbursement which appeared excessive. The employee traveled round trip from Scottsbluff to Denver and claimed 496 miles, map mileage is 438.

Without good internal control over mileage reimbursements, the Commission has increased risk of reimbursement for unreasonable expenses.

We recommend the Commission implement procedures to ensure expenses are reasonable.

Commission's Response: On June 23, 2006, during a work session of the MAC, a session is scheduled to review procedures for filing expense reimbursement documents, as well as, required receipts and supporting documents, one-day lunch, and unreasonable expenses. Commissioners and staff will be reminded to submit expense reimbursement documents monthly. Additionally, staff will be reminded to check details more closely as documents are processed through the data input, approval, and pre-audit processes.

3. 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:

COMMENTS AND RECOMMENDATIONS

(Continued)

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

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

Good internal control requires a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial information. Without a timely and complete reconciliation of bank records to the NIS, there is a greater risk for fraud and errors to occur and to remain undetected.

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.

Commission's Response: The MAC understands the impact that could affect our agency when bank records are not reconciled to the Nebraska Information System.

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NEBRASKA COMMISSION ON MEXICAN-AMERICANS

INDEPENDENT ACCOUNTANT'S REPORT

Deann Haeffner, CPA
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Nebraska Commission on Mexican-Americans
Lincoln, Nebraska

Don Dunlap, CPA
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We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Commission on Mexican-Americans (Commission) for the fiscal year ended June 30, 2005. The Commission'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.

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Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and accordingly, included examining, on a test basis, evidence supporting the schedule of revenues, expenditures, and changes in fund 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.

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Dennis Meyer, CGFM
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Coordinator
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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 Commission on Mexican-Americans 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 June 6, 2006, on our consideration of the Nebraska Commission on Mexican-Americans' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and

grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an attestation engagement performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our examination.

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

June 6, 2006


Assistant Deputy Auditor

NEBRASKA COMMISSION ON MEXICAN-AMERICANS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2005

	General Fund 10000	Commission on Mexican-Americans Cash Fund 26810	Totals (Memorandum Only)
REVENUES:			
Appropriations	\$ 204,476	\$ -	\$ 204,476
Miscellaneous	-	118	118
TOTAL REVENUES	204,476	118	204,594
EXPENDITURES:			
Personal Services	124,049	-	124,049
Operating	58,654	-	58,654
Travel	21,773	-	21,773
Capital Outlay	-	-	-
TOTAL EXPENDITURES	204,476	-	204,476
Net Change in Fund Balances	-	118	118
FUND BALANCES, JULY 1, 2004	293	3,275	3,568
FUND BALANCES, JUNE 30, 2005	<u>\$ 293</u>	<u>\$ 3,393</u>	<u>\$ 3,686</u>
FUND BALANCES CONSIST OF:			
General Cash	\$ -	\$ 3,393	\$ 3,393
Deposits with Vendors	293	-	293
TOTAL FUND BALANCES	<u>\$ 293</u>	<u>\$ 3,393</u>	<u>\$ 3,686</u>

The accompanying notes are an integral part of the schedule.

NEBRASKA COMMISSION ON MEXICAN-AMERICANS

NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2005

1. Criteria

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

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

The Nebraska Information System (NIS) is the official accounting system prescribed by DAS for the State of Nebraska. Policies and procedures are detailed in NIS manuals and Nebraska Accounting System Concepts published by DAS and available to the public. The financial information used to prepare the schedule of revenues, expenditures, and changes in fund balances for the Commission was obtained directly from the NIS. NIS records accounts receivable and accounts payable as transactions occur. As such certain revenues are recorded when earned and expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows. The accounts payable liability recorded on NIS, and thus recorded as expenditures, as of June 30, 2005, includes only those payables posted to NIS before June 30, 2005, and not yet paid as of that date. The amount recorded as expenditures as of June 30, 2005, **does not** include amounts for goods and services received before June 30, 2005, which had not been posted to NIS as of June 30, 2005.

The Commission had no accounts receivable at June 30, 2005. The NIS system does not include liabilities for accrued payroll and compensated absences.

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

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

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

The major revenue object account codes established by NIS used by the Commission 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.

NEBRASKA COMMISSION ON MEXICAN-AMERICANS

NOTES TO THE SCHEDULE

(Continued)

1. Criteria (Concluded)

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

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

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

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

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

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

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

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

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

2. State Agency

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

The Nebraska Commission on Mexican-Americans 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 COMMISSION ON MEXICAN-AMERICANS

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 Commission values all capital assets at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Generally, equipment that has a cost of \$1,500 at the date of acquisition and has an expected useful life of two or more years is capitalized. Depreciation expenses would be reported in the CAFR in the funds used to acquire or construct them for the State of Nebraska. The cost of normal maintenance and repairs that does not add to the value of the asset or extend asset life is not capitalized.

Equipment is depreciated using the straight-line method with estimated useful lives of three to ten years.

Capital asset activity of the Commission for the fiscal year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets				
Equipment	\$ 12,956	\$ -	\$ 7,306	\$ 5,650
Less accumulated depreciation for:				
Equipment				<u>5,650</u>
Total capital assets, net of depreciation				<u>\$ -</u>

5. Going Concern

The introduction of 2004 Neb. Laws LB 407 provided General Fund appropriations for the Nebraska Commission on Mexican-Americans; however, an amendment (AM 1111, Section 217) to this introduced bill called for possible elimination of these General Fund appropriations. Subsequent amendments to AM 1111, restored the Commission's funding. Management indicated that funding each year is of continuous concern to the Commission. Neb. Rev. Stat. Section 81-8,262 R.R.S. 2003, which created the Commission, is still in effect.

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NEBRASKA COMMISSION ON MEXICAN-AMERICANS 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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Nebraska Commission on Mexican-Americans
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Commission on Mexican-Americans for the fiscal year ended June 30, 2005, and have issued our report thereon dated June 6, 2006. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our examination, we considered the Nebraska Commission on Mexican-Americans' 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 Commission on Mexican-Americans' 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 3 (Reconciliation of Bank Records to the Nebraska Information System).

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial schedule being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nebraska Commission on Mexican-Americans' 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 Commission on Mexican-Americans in the Comments Section of this report as Comment Number 1 (NIS Batch Management) and Comment Number 2 (Travel).

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

June 6, 2006


Assistant Deputy Auditor