ATTESTATION REPORT
OF THE
NEBRASKA COMMISSION FOR THE
BLIND AND VISUALLY IMPAIRED

JULY 1, 2004 THROUGH JUNE 30, 2005

Issued on March 10, 2006

NEBRASKA COMMISSION FOR THE
BLIND AND VISUALLY IMPAIRED

TABLE OF CONTENTS

NEBRASKA COMMISSION FOR THE
BLIND AND VISUALLY IMPAIRED

BACKGROUND

The Commission for the Blind and Visually Impaired was established as a separate agency July 1, 2000. Prior to that time, a program in the Department of Health and Human Services provided services for the blind and visually impaired. The Commission was created to improve the autonomy and quality of existing services for blind and visually impaired people and to promote the development of new services when necessary.

The Commission is headquartered in Lincoln with offices in Kearney, Scottsbluff, North Platte, Norfolk, and Omaha. Rehabilitation counselors and teachers provide or purchase vocational rehabilitation services for persons whose defective sight limits their vocational abilities and independent living. Services include diagnostic evaluations, counseling and guidance, physical restoration, training, maintenance, job placements, tuition, and business entry expense reimbursement. The Commission provides orientation and adjustment training necessary for independent living. The Commission also contracted for radio and telephone accessed reading services to provide resources otherwise only available in print, for peer support services, low vision evaluations, and other services provided by consumers and consumer groups.

The Commission Board has five members appointed by the Governor. The Commission's Board members must have reasonable knowledge or experience in issues related to blindness and are appointed for four year terms. At least three Commission Board members shall be blind persons. One member shall be a member or designee of the National Federation of the Blind of Nebraska; one member shall be a member or designee of the American Council of the Blind of Nebraska; and one member may be a member of another consumer organization for the blind. Commission Board members receive a per diem of $70 for each day spent in the performance of their official duties and are reimbursed for expenses.

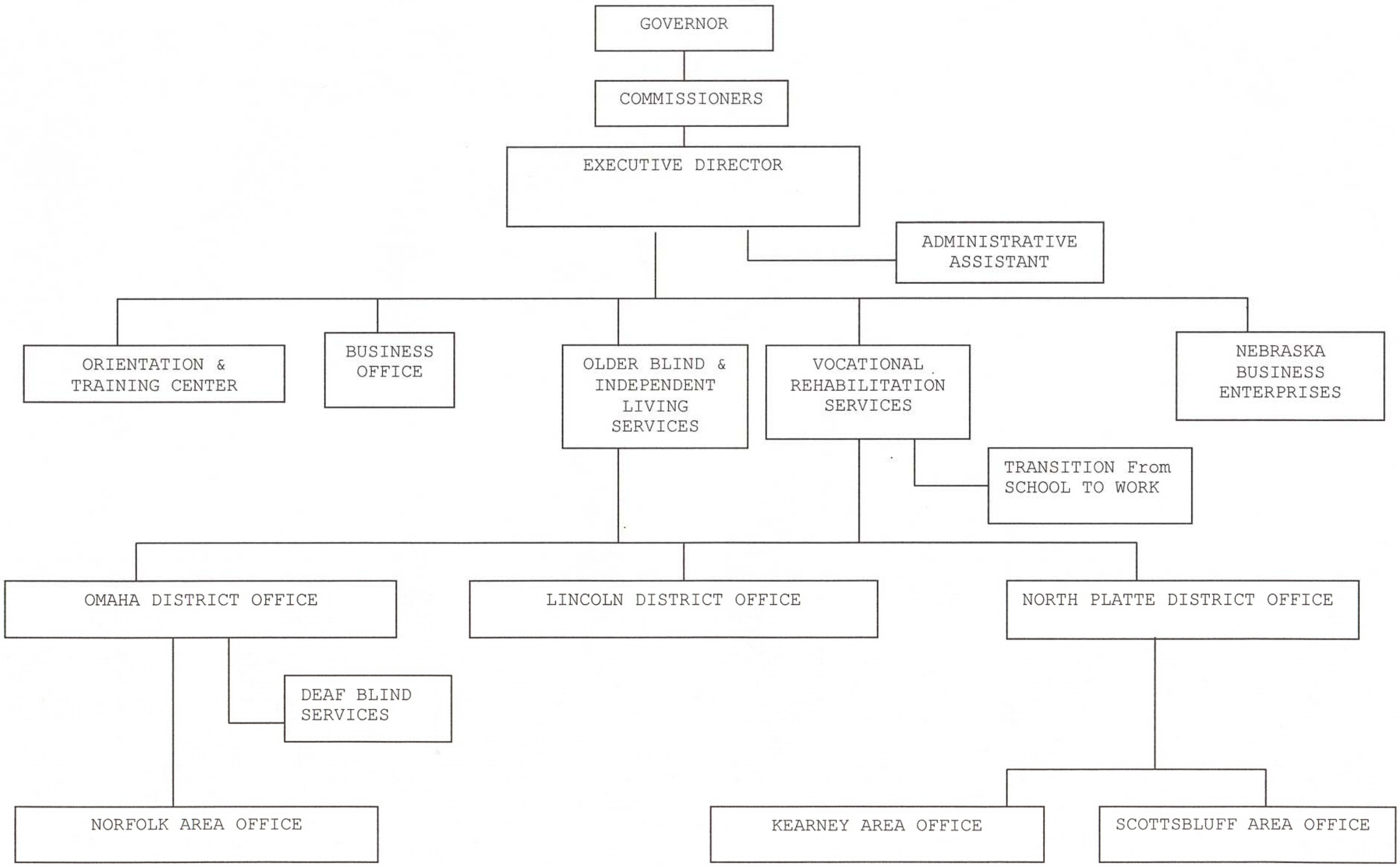
Commission Board Member	Position	Term Expires
Robert E. Burns Jr.	Blind Consumer	December 31, 2007
Barbara E. Loos	National Federation of the Blind of Nebraska Designee	December 31, 2007
Nancy Oltman	Blind Consumer	December 31, 2009
William J. Orester	American Council of the Blind of Nebraska Designee	December 31, 2007
Darrell Walla	Blind Consumer	December 31, 2009

MISSION STATEMENT

Empowering blind individuals, promoting opportunities, and building belief in the blind.

NEBRASKA COMMISSION FOR THE
BLIND AND VISUALLY IMPAIRED

ORGANIZATIONAL CHART



NEBRASKA COMMISSION FOR THE
BLIND AND VISUALLY IMPAIRED

EXIT CONFERENCE

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

NAME	TITLE
Dr. Pearl Van Zandt	Executive Director
Bill Brown	Business Manager
Dave Robinson	Personnel Officer
Valerie Peery	Administrative Assistant I
Barbara Loos	Chair, Commission Board

NEBRASKA COMMISSION FOR THE
BLIND AND VISUALLY IMPAIRED

SUMMARY OF COMMENTS

During our examination of the Nebraska Commission for the Blind and Visually Impaired, we noted certain matters involving the internal control over financial reporting and other operational matters which are presented here.

1. ***Segregation of Duties Over Fixed Assets:*** One individual is able to perform all phases of a fixed assets transaction, in addition there is no independent review of the additions and retirements report.

2. ***Control Environment:*** There was an overall lack of monitoring of the accounting activities of the Commission by the Commission Board.

3. ***Legislative Restrictions of Appropriations:*** The Commission did not follow the restrictions set by the Legislature.

4. ***Timesheets:*** Four of eight employees tested did not maintain timesheets or other documentation to record at least 40 hours was worked each week. Four of eight employees tested did not have a signed certification on file to show that 100% of time worked was for a single grant. One of eight employees tested did not have 2 hours charged to the correct grant.

5. ***Travel:*** Two of seven meal logs tested did not include either the city or restaurant name. One of eight expense reimbursement documents tested was for lodging less than 60 miles from workplace. One of six expense reimbursements tested was not submitted monthly. Three of seven meal logs tested included reimbursement for meals provided by the conference. Two of seven meal logs tested could not be located.

6. ***Allowance Policies:*** There were no written policies for the distribution of meal, activity, and grocery allowances.

7. ***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.

SUMMARY OF COMMENTS
(Continued)

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. Segregation of Duties Over Fixed Assets

Good internal control requires an adequate segregation of duties over fixed assets to ensure no one individual is in a position to both perpetrate and conceal errors or irregularities.

During our review of fixed assets, we noted one individual could perform all phases of a transaction relating to fixed assets. Additionally, there is no independent review of the Additions and Retirements Report. Furthermore, the individuals performing the yearly physical inventory have the ability to add assets to NIS. It was also noted that the Commission does not review select Fixed Assets Integrity Reports including the Fixed Assets Category Code Omissions Report, the Fixed Assets No Attachment Report, and the Fixed Assets Passed Transactions Report.

Without adequate control over fixed asset records, there is an increased risk of loss or theft of State assets.

> We recommend the Commission implement procedures to ensure an adequate segregation of duties. This would include an independent review of the Additions and Retirements Report and the Unposted Fixed Assets Transactions Report, as well as implementing procedures for an independent individual to test and monitor the annual physical inventory. We also recommend the Commission review the Fixed Assets Integrity Reports.

Commission's Response: The Commission has reviewed its policies and procedures and will implement procedures that will require staff other than the individual who adds fixed assets, to approve and post any fixed asset master and transaction. In addition the person who prepares surplus documents will not be the same person who signs and approves these documents. We will begin periodic reviews of the Additions and Retirements Reports, Fixed Assets Category Code Omissions Report, the Fixed Assets No Attachment Report, and the Fixed Assets Passed Transactions Report. Other integrity reports are reviewed on a monthly basis. Conversation with Auditor staff indicated that this solution would be satisfactory.

2. Control Environment

An internal control environment conducive to fair and complete financial reporting includes effective monitoring and review of processes related to policies, procedures, and accounting functions of the Commission.

There was an overall lack of monitoring of the accounting activities of the Commission by the Commission Board. Although the Commission Board is given a verbal budget status report, no detailed report of revenues and expenditures is reviewed by the Commission Board.

2. <u>Control Environment</u> (Concluded)

Without a control environment conducive to fair and complete financial reporting, there is a greater risk for fraud or mistakes to occur and remain undetected.

> The Commission Board has the overall responsibility to establish a strong control environment. A strong control environment should include effective monitoring of the activities of the Commission. Specifically, we recommend the Commission Board implement a periodic review of all detailed transactions of the Commission to ensure all transactions are authorized. This review should be noted in the Commission Board minutes.

Commission's Response: NCBVI's Executive Director has always made information and records available to our Board upon request, and has provided budget status reports at Board meetings and via email. We will begin sending monthly budget reports to the Board, to make them more routinely aware of our financial status. We will also provide training at the Commission Board meeting May 6, 2006, on the Budget and Financial Processes. The training will include how to effectively use spreadsheets to obtain and analyze information. On November 18, 2006, we will provide additional training on Commission Business Office Policies and Procedures.

3. <u>Legislative Restrictions of Appropriations</u>

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 specific limits and restrictions. Agencies are allowed to expend over the minimum earmark restrictions as long as all other legislative restrictions are met and spending authority is not exceeded. 2003 Neb. Laws LB 407, Section 238, states "There is included in the appropriation to this program for FY2004-05 $149,261 General Funds, $5,000 Cash Funds, and $603,720 Federal Funds estimate for state aid, which shall only be used for such purpose." A total of $757,981 was appropriated for State aid.

State aid is funding spent for diagnostic and evaluation services; medical treatment services; secondary services such as drivers/readers, interpreters, and transportation; services to groups and self employment, training (including books, tools, and other supplies); rehabilitation technology; and miscellaneous case services such as placement services, vocational uniforms, and occupational licenses.

3. **Legislative Restrictions of Appropriations** (Concluded)

In total, the Commission expended the amount appropriated by the Legislature for State aid; however, the Commission did not spend the appropriations in compliance with the restrictions imposed by 2003 Neb. Laws LB 407. First, the Commission did not use the required amount of General Funds per the LB for government aid. We noted the Commission spent $139,527 of General Funds for government aid for the fiscal year and as of June 30, 2005, there were no General Fund appropriations remaining. Therefore, $9,734 was spent on items outside government aid in violation of the appropriations restriction. Second, we also noted the Commission did not use the required amount of Cash Funds per the LB for government aid. The Commission spent $953 of Cash Funds for government aid for the fiscal year and as of June 30, 2005, there were no Cash Fund appropriations remaining. Therefore, $4,047 was spent on items outside government aid. Finally, the Commission spent $700,000 of Federal funds for government aid, $96,280 over the minimum requirement. This situation was noted in our prior audit.

> We recommend the Commission implement procedures to ensure compliance with appropriations restrictions.

Commission's Response: As was noted in this Comment, the Commission provided, in total, the required amount of government aid, but due to miscalculation, did not keep the government aid spent from General Funds segregated properly. That will be addressed and remedied in the future. We are also aware of the Cash fund earmark at this time. We have taken that issue to the legislature to change in the future.

4. **Timesheets**

Neb. Rev. Stat. Section 84-1001 R.R.S. 1999 states, "All state officers and heads of departments and their, deputies, assistants, and employees . . . shall render not less than forty hours of labor each week except any week in which a paid holiday may occur." Title 273 NAC 9-002 states, "Each agency shall maintain a record for each employee, accounting for time worked and all absences from work." OMB Circular A-87, Attachment B, Section 11, Subsection h(3), states "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported . . . at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee." OMB Circular A-87, Attachment B, Section 11, Subsection h(4), states "Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation." Good internal control requires adequate documentation to ensure all employees render forty hours of work each week to ensure the correct amounts of vacation and/or sick leave earned that are paid out upon termination and hours are funded by the correct Federal grant.

4. <u>Timesheets</u> (Concluded)

- Four of eight employees tested did not complete timesheets. The Commission only uses timesheets for non-exempt employees. Currently there are 13 overtime exempt employees and 33 non-exempt employees.

- Four of eight employees tested did not have a signed certification on file to show that 100% of time worked was for a single Federal grant. One of eight employees tested had two hours charged to the wrong Federal grant. As of October 2005, the Commission modified their timesheets to include certification which states, ". . . all hours except those specifically designated on other certification are accountable to Federal Grant 84.126."

Without adequate documentation of forty hours worked, there is an increased chance of inaccurate unused leave payments at termination. By not certifying all hours worked supported by Federal grants, it increases the risk of the misuse of Federal funds.

> We recommend the Commission implement procedures that certify forty hours has been worked and all hours worked that are supported by Federal grants are documented adequately.

Commission's Response: Time Certification was implemented in October 2005 for all staff and was updated on February 3, 2006 to include recommendations of the Auditors to include the forty-hour clause in the text. We believe that we are in compliance with all state and federal standards at this time.

5. <u>Travel</u>

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 discussions with IRS staff, adequate documentation must include the name of the restaurant.

State Accounting Manual Section AM 005, Subsection "Travel Expense Policies", Paragraph 4, Lodging, states, "It is State Accounting policy that a person generally must be more than 60 miles from his or her workplace in order to be eligible for lodging. We realize there may be reasons to pay for lodging for distances less than 60 miles. Such reasons include, but are not limited to work requirements, medical conditions or weather; in those instances the reason must be clearly stated on the disbursement document."

5. Travel (Continued)

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 requires procedures to ensure all reimbursements are reasonable and necessary expenses and that adequate supporting documentation be maintained.

During testing of travel we noted:

- Two of seven meal logs tested did not include either the city or restaurant name.
- One of eight expense reimbursement documents tested was for lodging less than 60 miles from workplace. Lodging was for an individual from Kearney to stay overnight in Grand Island for a staff meeting. Lodging was for one night at $53.
- One of six expense reimbursements tested was not submitted monthly. The expense reimbursement document covered three months.
- Three of seven meal logs tested included meals provided by the conference per the conference agenda.
- Two of seven meal logs tested could not be located.

Without adequate procedures to substantiate meal expenses, ensure reimbursements are submitted timely, and follow State 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 Commission implement procedures to ensure meal expenses are adequately substantiated, which would include the date, purpose, location, restaurant, meal, and amount. We recommend either lodging not be paid for distances less than 60 miles from workplace or in instances when the Commission pays

5. Travel (Concluded)

lodging expenses for distances less than 60 miles, the reason be clearly stated on the disbursement document. We also recommend the Commission implement procedures to ensure expense reimbursement documents are submitted on a monthly basis in accordance with State statute. Furthermore, we recommend the Commission implement policies and procedures to ensure only meals not provided by conferences are reimbursed.

Commission's Response: The Commission will implement a new electronic Expense Reimbursement Document that insures a meal log is prepared for each reimbursement of meals. For staff submitting hand written documentation, a log using the same format as the Auditor's office log will be required. The travel that was reimbursed for staff within 60 miles of their home base was done on an exception basis and with the knowledge of appropriate Commission staff but was not documented on the form. We will note these exceptions on the Expense Reimbursement Documents in the future. We will continue to strive to insure that expenses are claimed in a timely manner with the knowledge that this is a law that has a conflict with policy that requires us to pay claims upon the state for up to two years after the expense was incurred. We intend to log and make supervisors aware of staff who do not turn in expenses in a timely fashion. Policies regarding conference expense payments will be distributed to all staff.

6. Allowance Policies

Good internal control requires that policies for the distribution of funds to clients be documented and followed.

During our audit we noted that although the Commission has written policies as to the amount allowed for meal, activity, and grocery allowances, the Commission does not have written policies concerning distribution requirements and restrictions for allowances. Current policies for distribution of allowances are as follows:

- Meal allowances are distributed based on a per diem rate of $20.00 per day. If a client is going to be attending an overnight training session they will receive a meal allowance of $20.00 for each day that they are attending the training.

6. Allowance Policies (Concluded)

- Grocery allowances are distributed on a monthly basis at a rate of $100 per month to clients who live in the Commission's apartments and attend the center for training. This amount is used to help them purchase groceries for the meals that they do not prepare and eat at the center during training (breakfast, dinner, and weekends). The allowance is not allowed to be spent on alcohol or tobacco, although there is no way for the Commission to ensure the money is not used for these purposes as they do not request receipts. Approximately $10,000 per year is distributed to clients for grocery allowances.

- Activity allowances are distributed to clients before the activity is takes place. The amount distributed is based on the kind of activity clients will be participating in. The activities are set up by the rehabilitation counselors and includes, for example, things like trips to the zoo or to a movie. Approximately $500 per year is distributed to clients for activity allowances.

Distributing cash allowances without written policies and procedures as to how these are to be handled leaves room for possible loss or misuse of State funds.

> We recommend the Commission formulate written policies for the distribution requirements and restrictions for meal, activity, and grocery allowances. These policies should include regulations for who is to receive the allowances, how the allowance amount is to be determined, procedures for documenting the distribution, and procedures for monitoring the use of the allowance. Specifically for the activity allowance, we suggest the activities the clients participate in be documented. Documentation should include a description of the activity, cost of the activity, and who participated in the activity. This should be included in the documentation with the allowance disbursement. We also recommend documentation such as dates, type of training attended, and a break down of the rate used be included in the supporting documentation for meal allowances.

Commission's Response: The Commission believes that our policies regarding Grocery, Meal, and Activity allowances are well understood by all Commission staff and are in compliance with our federal regulations. However, we will publish these policies in our Case Service Policies and will monitor them appropriately.

7. Reconciliation of Bank Records to the Nebraska Information System

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 Nebraska Information System (NIS), there is a greater risk for fraud and errors to occur and to remain undetected.

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 NIS and NAS, the Nebraska Accounting System before NIS). This has been an issue for the Department of Administrative Services (DAS) Accounting Division for many years. The APA's previous versions 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 DAS Accounting Division 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 August 11, 2005 to be as follows:

> DAS Accounting Division has worked on the reconciliation process, but continued progress is needed. DAS Accounting Division's reconciliation process has developed into a very detailed process of analyzing bank activity, compared to activity recorded on NIS, to identify reconciling items. DAS Accounting Division has completed their reconciliation process for the months of June and July of 2004. The APA has reviewed these reconciliations. These two months show variances of $2,944,126 and $2,932,824, respectively. Again, the reconciliations show the bank being short compared to the accounting records. Per inquiry of management, DAS Accounting Division has started the reconciliation process for various months of the fiscal year ended June 30, 2005; however, the reconciliation process has not been a continuous monthly process and no monthly reconciliation has been completed since July of 2004.

Although DAS Accounting Division has worked on the reconciliation process, the process is still not done in a timely manner and the variance is inconsistent. 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.

7. <u>Reconciliation of Bank Records to the Nebraska Information System</u> (Concluded)

> The APA recommends DAS Accounting Division 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 DAS Accounting Division; 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 State Accountant and the Administrator of NIS have been made aware of your bank reconciliation finding. They are working to resolve this issue.

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NEBRASKA COMMISSION FOR THE
BLIND AND VISUALLY IMPAIRED

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Commission for the Blind and Visually Impaired
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Commission for the Blind and Visually Impaired (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.

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.

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 for the Blind and Visually Impaired for the fiscal year ended June 30, 2005, based on the accounting system and procedures prescribed by the State of Nebraska Director of Administrative Services as described in Note 1.

In accordance with *Government Auditing Standards,* we have also issued our report dated January 19, 2006, on our consideration of the Nebraska Commission for the Blind and Visually Impaired's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an attestation engagement performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our examination.

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

Don Dunlap CPA

January 19, 2006 Assistant Deputy Auditor

NEBRASKA COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Fiscal Year Ended June 30, 2005

	State General Fund 10000	CBVI Cash Fund 28110	Federal Fund 40000	CBVI Federal Fund 48140	CBVI Trust Fund 68400	**Total (Memorandum Only)**
REVENUES:						
Appropriations	$ 531,067	$ -	$ -	$ -	$ -	$ 531,067
Intergovernmental	-	-	3,352,116	-	-	3,352,116
Sales & Charges	-	83,323	-	-	-	83,323
Miscellaneous	-	1,289	-	2,132	31,074	34,495
TOTAL REVENUES	531,067	84,612	3,352,116	2,132	31,074	4,001,001
EXPENDITURES:						
Personal Services	342,716	43,751	1,977,501	75,122	11,200	2,450,290
Operating	28,241	17,758	456,443	39,121	3,996	545,559
Travel	20,583	1,883	194,902	16	95	217,479
Capital Outlay	-	17,954	31,192	-	-	49,146
Government Aid	139,527	953	692,078	7,942	16,286	856,786
TOTAL EXPENDITURES	531,067	82,299	3,352,116	122,201	31,577	4,119,260
Net Change in Fund Balances	-	2,313	-	(120,069)	(503)	(118,259)
FUND BALANCES, JULY 1, 2004	-	30,826	-	161,979	198,394	391,199
FUND BALANCES, JUNE 30, 2005	$ -	$ 33,139	$ -	$ 41,910	$ 197,891	$ 272,940
FUND BALANCES CONSIST OF:						
General Cash	$ -	$ 32,862	$ -	$ 41,910	$ 208,626	$ 283,398
NSF Items	-	382	-	-	-	382
Due From Other Government	-	(105)	-	-	-	(105)
Deposits	-	-	-	-	(10,735)	(10,735)
TOTAL FUND BALANCES	$ -	$ 33,139	$ -	$ 41,910	$ 197,891	$ 272,940

The accompanying notes are an integral part of the schedule.

NEBRASKA COMMISSION FOR THE
BLIND AND VISUALLY IMPAIRED

NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2005

1. Criteria

The accounting policies of the Nebraska Commission for the Blind and Visually Impaired 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.

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 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.

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 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.

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 and donations.

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.

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 Commission include:

Assets – Resources owned or held by a government that have monetary value. Assets include cash accounts. Cash accounts 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 Commission's funds at June 30, 2005 included Deposits. 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.

2. State Agency

The Nebraska Commission for the Blind and Visually Impaired (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 for the Blind and Visually Impaired 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.

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

NOTES TO THE SCHEDULE
(Continued)

4. Capital Assets (Concluded)

items) would be reported for the State of Nebraska in the Comprehensive Annual Financial Report (CAFR). The Commission's 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:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets				
Equipment	$ 795,965	$ 48,912	$ -	$ 844,877
Less accumulated depreciation for:				
Equipment				653,624
Total capital assets, net of depreciation				$ 191,253

5. Subsequent Event

In February 2005, the Commission estimated a budget shortfall of $200,000 and discussed possible budget problems for fiscal year 2006. Estimated budget shortfalls for fiscal year 2005 and potential budget shortfalls for fiscal year 2006 were in large part due to the Commission losing three five-year grants (the Transition Grant, the Helen Keller Grant, and the In Service Training Grant) in September 2005; increases in the cost of State vehicles and workers compensation premiums; Social Security reimbursements leveling off; and shrinking fund balances. In order to alleviate the budget problems, management committed $100,000 of their trust funds to the estimated shortfall, reduced their State car fleet by four vehicles, cut their cost for printing and copying, implemented a mandatory furlough for all staff of one hour per week from April 1 through September 30, 2005, decreased their Driver and Reader time, and initiated other cost saving programs. As budget shortfall estimates changed, the Commission adjusted their plan of action, which included stopping the mandatory furlough in May 2005.

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NEBRASKA COMMISSION FOR THE
BLIND AND VISUALLY IMPAIRED

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*

Nebraska Commission for the Blind and Visually Impaired
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Commission for the Blind and Visually Impaired for the fiscal year ended June 30, 2005, and have issued our report thereon dated January 19, 2006. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our examination, we considered the Nebraska Commission for the Blind and Visually Impaired'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 Commission for the Blind and Visually Impaired'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 7 (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 for the Blind and Visually Impaired'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 Commission for the Blind and Visually Impaired in the Comments Section of this report as Comment Number 1 (Segregation of Duties Over Fixed Assets), Comment Number 2 (Control Environment), Comment Number 3 (Legislative Restrictions of Appropriations), Comment Number 4 (Timesheets), Comment Number 5 (Travel), and Comment Number 6 (Allowance Policies).

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.

Don Dunlap CPA

January 19, 2006 Assistant Deputy Auditor

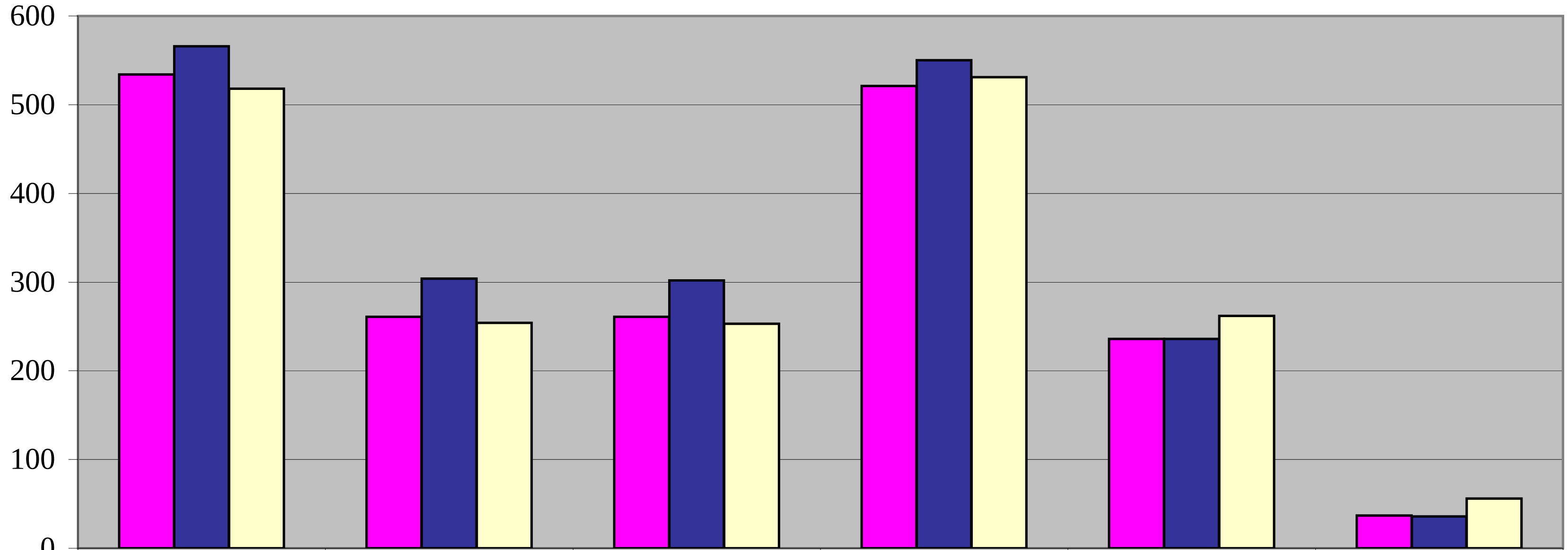
NEBRASKA COMMISSION FOR THE
BLIND AND VISUALLY IMPAIRED

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 COMMISION FOR THE
BLIND AND VISUALLY IMPAIRED
INDEPENDENT LIVING

Independent Living (IL) Program's goal is to teach clients independent living skills such as managing medicine, cane travel, going to the grocery store, cooking, cleaning, etc. Most of these clients are over the age of 65 or below the age of 14. Successful completion of the Program occurs when the client has achieved their independent living goal.

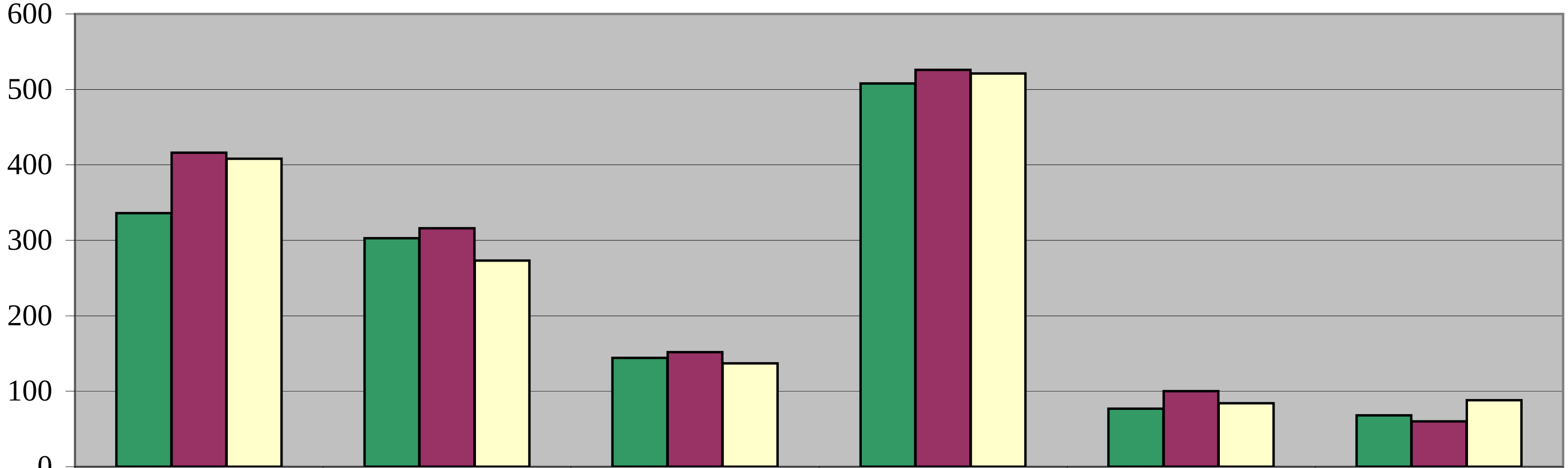


	Referrals	Applications for Services	New Clients Accepted	Active Clients During the Year	Successful Program Completion	Unsuccessful Program Completion
2003	534	261	261	521	236	37
2004	566	304	302	550	236	36
2005	518	254	253	531	262	56

Note: Data presented above is on a Federal fiscal year which runs from October 1st to September 30th.

NEBRASKA COMMISSION FOR THE
BLIND AND VISUALLY IMPAIRED
VOCATIONAL REHABILITATION

Vocational Rehabilitation (VR) Program's goal is to teach clients vocational skills. The VR Program calls for more intensive skill training than IL; however, VR training may begin with adjustment training and independent living skills. The main focus of VR is to help clients set an employment goal and then trying to teach the clients the skills they need to obtain this goal. Along with providing training for work skills, the VR program will also assist with schooling, placement services, and post-placement services. Clients must be over the age of 14 to be eligible for this Program. Successful completion of the Program occurs when the client has achieved their work goal and has been working for over 90 days.



	Referrals	Applications for Services	New Clients Accepted	Active Clients During the Year	Successful Program Completion	Unsuccessful Program Completion
2003	336	303	144	508	77	68
2004	416	316	152	526	100	60
2005	408	273	137	521	84	88

Note: Data presented above is on a Federal fiscal year which runs from October 1st to September 30th.