ATTESTATION REPORT
OF THE
NEBRASKA DRY BEAN COMMISSION

JULY 1, 2004 THROUGH JUNE 30, 2005

Issued on June 2, 2006

NEBRASKA DRY BEAN COMMISSION

TABLE OF CONTENTS

NEBRASKA DRY BEAN COMMISSION

BACKGROUND

In 1987, the Nebraska Legislature created the Dry Bean Commission under the provisions of the Dry Bean Resources Act. The Act is administered by the Dry Bean Commission, which is authorized to work in the areas of research, education, advertising, publicity, and promotion with the goal of increasing per capita consumption of dry beans on a state, national, and international basis.

The Nebraska Dry Bean Commission consists of nine members: four grower representatives and three processor representatives, appointed by the Governor with the consent of the Legislature, and two at-large grower representatives appointed by the Commission. Commissioners all serve three year terms.

The Commission is funded by a tax assessed on dry edible beans grown in Nebraska and sold through commercial channels. Effective with the 2004 crop year harvest (2004 crop year is defined as beans planted and harvested in 2004), the assessment rate shall be 10 cents per hundredweight. The assessment rate was 7.5 cents per hundredweight for harvested dry beans as of July 1, 1994, through the 2003 crop year. Two-thirds of the tax is paid by the grower; one third of the tax is paid by the first purchaser of the crop.

Tax collections, field audits of first purchasers, and various other accounting functions are performed by the Nebraska Department of Agriculture under contract with the Commission.

MISSION STATEMENT

To develop and participate in programs of research, education, advertising, publicity, and promotion to increase total consumption of dry beans on a state, national, and international basis.

EXIT CONFERENCE

An exit conference was held May 2, 2006, with the Commission to discuss the results of our examination. Those in attendance for the Nebraska Dry Bean Commission were:

NAME	TITLE
Mark Watson (via teleconference)	Commission Chair
Lynn Rueter (via teleconference)	Administrative Assistant
Robert Storant	Accounting and Finance Manager, Department of Agriculture
Susan Harms	Administrative Assistant I, Department of Agriculture

SUMMARY OF COMMENTS

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

1. ***Personal Use of State Vehicle:*** A State vehicle was used for personal use by a Commission member who did not meet the qualifications to drive a State-owned vehicle. Additionally, we noted an excess of 196 miles driven based on the most direct route of travel.

2. ***Meal Reimbursements:*** Both documents tested included meals that exceeded the GSA Federal per diem guideline per place of travel.

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. Where no response has been included, the Commission declined to respond. Responses have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were not verified at this time, but will be verified in the next examination.

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

COMMENTS AND RECOMMENDATIONS

1. Personal Use of State Vehicle

Neb. Rev. Stat. Section 81-1024 R.R.S. 1999 states, "No officer or employee of the State of Nebraska shall use any motor vehicle owned by the State of Nebraska for any personal use whatsoever. Any officer or employee who violates any of the provisions of this section shall be deemed guilty of a Class V misdemeanor …" Neb. Rev. Stat. Section 81-1176 R.R.S 1999 states that mileage is calculated using the most direct route of travel.

Title 8 NAC 008.01 states, "Personal use of a state-owned motor vehicle is prohibited. Any violations constitute a Class V misdemeanor and official misconduct in office which may result in removal from office or loss of employment." Title 8 NAC 003 states, "Every state employee or representative authorized to operate a state-owned vehicle shall have a valid driver's license and a State of Nebraska Identification Card issued or authorized by the Transportation Services Bureau (TSB) … shall complete a Defensive Driving Course within the first six months of her or his employment … have read the Policies and Procedures Manual of the TSB and he or she shall have completed an affidavit stating that the employee has read the Manual."

A State vehicle was used by a Commission member who did not meet the qualifications to be an eligible driver. The vehicle was used for personal use. Additionally, we noted an excess of 196 miles driven based on the most direct route of travel.

Without procedures to ensure State vehicles are used properly, there is an increased risk of misuse. Violation of Neb. Rev. Stat. Section 81-1024 R.R.S. 1999 constitutes a Class V misdemeanor and official misconduct in office which may result in removal from office or loss of employment.

> We recommend the Commission implement procedures to ensure any employee or Commission member using a State vehicle meets the established requirements and that State vehicles are only utilized for official State business by the most direct route of travel.

Commission's Response: The Commission was unaware that Governor appointed members of the Commission, being volunteers, needed to complete a defensive driving course. When driving to a meeting of the National Dry Bean Council, the Commission member took an alternate route, not being the most direct route, to Boise, Idaho. A stop was made in route to this meeting. The Commission member stopped at Twin Falls, Idaho to tour the Syngenta Seed Company, visiting Syngenta's dry bean breeding program and to see actual field seed production of dry edible bean seed. Syngenta is one of the leading dry edible bean seed companies in the U.S.. No additional miles were incurred as a result of this stop.

COMMENTS AND RECOMMENDATIONS
(Continued)

2. Meal Reimbursements

Good internal controls require procedures to ensure meal costs reimbursed to employees are reasonable. Meals are considered reasonable if they are within the General Services Administration (GSA) Federal per diem guidelines per place of travel. There are guidelines per meal and for each day.

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

- One document included a $38 dinner and a daily total of $61. The daily per diem guideline for the location was $51.

- One document included one dinner for $65. The daily per diem guideline for the location was $51.

Without adequate procedures to ensure expense reimbursements are reasonable, there is an increased risk for misuse of State funds.

> We recommend the Commission implement procedures to ensure only reasonable expenses are reimbursed for meals.

Commission's Response: The Commission followed DAS guidelines and when meal expenses exceed GSA Federal per diem rates receipts accompany expense reimbursement documents. These meal expenses occurred while Commission members were attending a national meeting representing Nebraska dry bean growers and processors and participated in an industry dinner.

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

COMMENTS AND RECOMMENDATIONS
(Continued)

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

where improvement is still needed in the reconciliation process to ensure NIS integrity and operational efficiency. Specifically, the APA noted the status of the reconciliation process as of December 19, 2005, to be as follows:

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

Good internal control requires a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial information.

Without a timely and complete reconciliation of bank records to the NIS, there is a greater risk for fraud and errors to occur and to remain undetected.

Although State Accounting has worked on the reconciliation process, the process is still not done in a timely manner. The reconciliation continues to reflect unknown variances and shortages. Complete and timely reconciliation procedures between bank records and accounting records are required to provide control over cash and accurate financial information.

> We recommend State Accounting continue their reconciliation process, in a more timely manner, and on at least a monthly basis, to ensure all financial information is correct on NIS. We also recommend, when a consistent cash variance between the bank records and the accounting records is obtained (based on at least six months of reconciliations), DAS submit their plan for adjusting NIS to the Governor and the Legislature so they may take appropriate action to correct NIS and resolve the variances noted.

This issue is the responsibility of State Accounting; however, as the variances have not been identified by fund or agency, this issue directly affects all Nebraska State agencies' financial information and must be disclosed in this report.

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NEBRASKA DRY BEAN COMMISSION

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Dry Bean Commission
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balance of the Nebraska Dry Bean Commission (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 balance. Our responsibility is to express an opinion based on our examination.

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

In our opinion, the schedule referred to above presents, in all material respects, the revenues, expenditures, and changes in fund balance of the Nebraska Dry Bean Commission 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 May 2, 2006, on our consideration of the Nebraska Dry Bean Commission'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.

Pat Reding, CPA

May 2, 2006 Assistant Deputy Auditor

NEBRASKA DRY BEAN COMMISSION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 2005

		Dry Bean Development, Utilization, Promotion, and Education Fund 28600
REVENUES:		
Taxes	$	246,507
Miscellaneous		6,927
TOTAL REVENUES		253,434
EXPENDITURES:		
Personal Services		28,499
Operating		223,316
Travel		13,714
TOTAL EXPENDITURES		265,529
Net Change in Fund Balance		(12,095)
FUND BALANCE, JULY 1, 2004		139,818
FUND BALANCE, JUNE 30, 2005	$	127,723
FUND BALANCE CONSISTS OF:		
General Cash	$	127,056
Deposits with Vendors		667
TOTAL FUND BALANCE	$	127,723

The accompanying notes are an integral part of the schedule.

NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2005

1. Criteria

The accounting policies of the Nebraska Dry Bean 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 balance 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 type established by NIS that is used by the Commission is:

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

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

> **Taxes –** Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. Taxes recorded as revenue for the Commission consists of an excise tax of 10 cents per hundredweight for harvested dry beans as of September 22, 2004, which are sold through commercial channels in the State of Nebraska. The tax was 7.5 cents per hundredweight for harvested dry beans as of July 1, 1994, through September 21, 2004.

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.

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 Dry Bean Commission (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 Dry Bean Commission is part of the primary government for the State of Nebraska.

3. Capital Assets

Under NIS, capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as expenditures. Capital assets, which would include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) would be reported for the State of Nebraska in the Comprehensive Annual Financial Report (CAFR). The 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

NOTES TO THE SCHEDULE
(Continued)

3. Capital Assets (Concluded)

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	$ 7,423	$ -	$ 389	$ 7,034
Less accumulated depreciation for:				
Equipment				5,940
Total capital assets, net of depreciation				$ 1,094

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NEBRASKA DRY BEAN COMMISSION

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

Nebraska Dry Bean Commission
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balance of the Nebraska Dry Bean Commission for the fiscal year ended June 30, 2005, and have issued our report thereon dated May 2, 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 Dry Bean Commission's internal control over financial reporting in order to determine our procedures for the purpose of expressing our opinion on the schedule of revenues, expenditures, and changes in fund balance, and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Nebraska Dry Bean Commission'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 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 Dry Bean Commission's schedule of revenues, expenditures, and changes in fund balance, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our examination, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain additional items that we reported to management of the Nebraska Dry Bean Commission in the Comments Section of this report as Comment Number 1 (Personal Use of State Vehicle) and Comment Number 2 (Meal Reimbursements).

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.

Pat Reding, CPA

May 2, 2006 Assistant Deputy Auditor

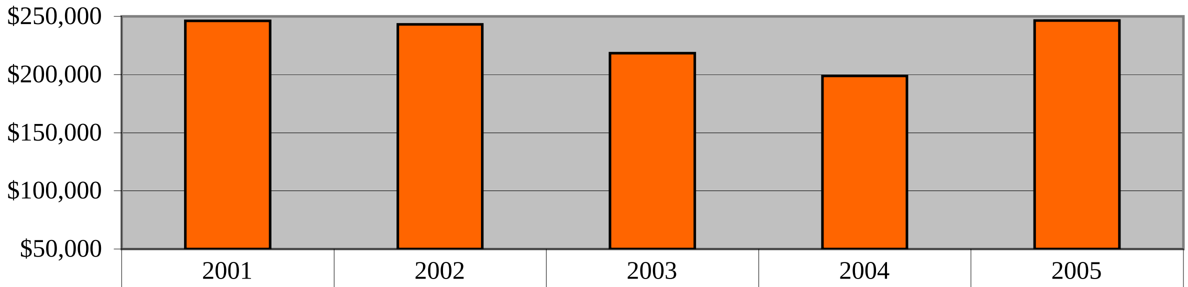
STATISTICAL SECTION

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

NEBRASKA DRY BEAN COMMISSION

DRY BEAN TAXES RECEIVED

Fiscal Years 2001 Through 2005



	2001	2002	2003	2004	2005
Dry Bean Tax	$246,100	$243,250	$218,408	$198,743	$246,507

DISBURSEMENTS BY SUBPROGRAM

Fiscal Year 2005