

**ATTESTATION REPORT
OF THE
NEBRASKA GRAIN SORGHUM DEVELOPMENT,
UTILIZATION, AND MARKETING BOARD**

JULY 1, 2004 THROUGH JUNE 30, 2005

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Issued on May 30, 2006

NEBRASKA GRAIN SORGHUM DEVELOPMENT,
UTILIZATION, AND MARKETING BOARD

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NEBRASKA GRAIN SORGHUM DEVELOPMENT,
UTILIZATION, AND MARKETING BOARD

BACKGROUND

The Grain Sorghum Program was created in 1981 to fund market development, promotion, education, and research programs related to grain sorghum. In 1985, the Nebraska Grain Sorghum Development, Utilization, and Marketing Board's (Board) statutory authority was broadened to allow up to 25 percent of the budget to be used to influence Federal legislation. Effective July 1, 1992, the Board was granted separate agency status. Prior to that time, the Board was included as a subdivision of the Nebraska Department of Agriculture.

A seven-member Board has the responsibility to administer, supervise, and operate the program. Six of the Board members are appointed by the Governor to three-year terms on a district basis. The seventh member, serving in an at-large capacity, is elected by the Board. Board members must be citizens of Nebraska who are at least 21 years old and are actually engaged in grain sorghum production. The Director of the Department of Agriculture and the Vice Chancellor of the University of Nebraska's Institute of Agriculture and Natural Resources serve as ex-officio members of the Board. The Board is required to meet at least four times a year. Members are not paid but are reimbursed for their expenses.

Foreign and domestic market development activities of the Board are conducted through the U.S. Feed Grains Council and the National Grain Sorghum Producers' Association. The Council, which is headquartered in Washington D.C., has 11 international offices and oversees projects in 80 nations around the world. Research activities are carried out in conjunction with the University of Nebraska. The Board has authorization to invest up to 25 percent of their budget to address areas of Federal legislation affecting the grain sorghum industry. Funding for the program is provided by a levy of one cent per hundredweight of grain sorghum sold in the State.

MISSION STATEMENT

The mission of the Nebraska Grain Sorghum Development, Utilization, and Marketing Board is to develop, carry out, and participate in programs of research, education, market development, and promotion aimed at enhancing the economic well-being of the grain sorghum industry.

NEBRASKA GRAIN SORGHUM DEVELOPMENT,
UTILIZATION, AND MARKETING BOARD

ORGANIZATIONAL CHART



NEBRASKA GRAIN SORGHUM DEVELOPMENT,
UTILIZATION, AND MARKETING BOARD

EXIT CONFERENCE

An exit conference was held May 4, 2006, with the Board to discuss the results of our examination. Those in attendance for the Nebraska Grain Sorghum Development, Utilization, and Marketing Board were:

NAME	TITLE
Robert Storant	Department of Agriculture Accounting and Finance Manger
Barbara Kliment	Director
Burdette Piening	Board Chair

NEBRASKA GRAIN SORGHUM DEVELOPMENT,
UTILIZATION, AND MARKETING BOARD

COMMENT AND RECOMMENDATION

During our examination of the Nebraska Grain Sorghum Development, Utilization, and Marketing Board, we noted a certain matter involving the internal control over financial reporting and other operational matters, which is presented here.

Reconciliation of Bank Records to the Nebraska Information System

During the audit of the Comprehensive Annual Financial Report (CAFR) of the State of Nebraska, the Auditor of Public Accounts (APA) noted the absence of reconciliation between the Nebraska State Treasurer's actual bank statements and Nebraska accounting records (in both the Nebraska Information System (NIS) and the Nebraska Accounting System (NAS), system before NIS). This has been an issue for the Department of Administrative Services Accounting Division (State Accounting) for many years. The APA's previous comments noted monthly reconciliations have not been completed in a timely manner and reconciliations performed have shown significant unknown variances between the bank records and the accounting records, with the bank being short compared to the accounting records. Although State Accounting continues to work on correcting the reconciliation of bank records to NIS, the APA continues to note areas where improvement is still needed in the reconciliation process to ensure NIS integrity and operational efficiency. Specifically, the APA noted the status of the reconciliation process as of December 19, 2005, to be as follows:

State Accounting has worked on the reconciliation process, but continued progress is needed. State Accounting's reconciliation process has developed into a very detailed process of analyzing bank activity, compared to activity recorded on NIS, to identify reconciling items. State Accounting has completed their reconciliation process for the months of July of 2004, and May, June, and July of 2005. The APA has reviewed these reconciliations. The months of May, June, and July show variances of \$3,425,381, \$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.

NEBRASKA GRAIN SORGHUM DEVELOPMENT,
UTILIZATION, AND MARKETING BOARD

COMMENT AND RECOMMENDATION
(Continued)

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

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.

Board's Response: It is our understanding that the variances noted relative to the bank records versus NIS are of unknown origin and that State Accounting continues to work on correcting the problem. The Board would, however, like to go on record to emphasize the fact that there were no findings of variance between the accounting and bank records of the Board during this audit.

Additionally, we would agree with the need for continued effort and progress on the part of State Accounting to reconcile the variances. The Board recommends that whatever process is used to reconcile the records it be one that is open, transparent and available to the public.

It should be noted this report is critical in nature as it contains only our comment and recommendation on the area noted for improvement.

Draft copies of this report were furnished to the Board to provide them an opportunity to review the report and to respond to the comment and recommendation included in this report. The formal response received has been incorporated into this report. The response has been objectively evaluated and recognized, as appropriate, in the report. A response that indicates corrective action has been taken was 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.

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NEBRASKA GRAIN SORGHUM DEVELOPMENT, UTILIZATION, AND MARKETING BOARD

INDEPENDENT ACCOUNTANT'S REPORT

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Nebraska Grain Sorghum Development, Utilization, and Marketing Board
Lincoln, Nebraska

Don Dunlap, CPA
Asst. Deputy Auditor
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We have examined the accompanying schedule of revenues, expenditures, and changes in fund balance of the Nebraska Grain Sorghum Development, Utilization, and Marketing Board (Board) for the fiscal year ended June 30, 2005. The Board's management is responsible for the schedule of revenues, expenditures, and changes in fund balance. Our responsibility is to express an opinion based on our examination.

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Tim Channer, CPA
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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 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.

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In our opinion, the schedule referred to above presents, in all material respects, the revenues, expenditures, and changes in fund balance of the Nebraska Grain Sorghum Development, Utilization, and Marketing Board 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.

Perry Pirsch, JD, MPA
Legal Counsel
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In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2006, on our consideration of the Nebraska Grain Sorghum Development, Utilization, and Marketing Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an attestation engagement performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our examination.

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

Pat Reding, CPA

Assistant Deputy Auditor

May 4, 2006

NEBRASKA GRAIN SORGHUM DEVELOPMENT,
 UTILIZATION, AND MARKETING BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 For the Fiscal Year Ended June 30, 2005

	Grain Sorghum Development, Utilization, and Marketing Fund 21900
REVENUES:	
Taxes	\$ 147,464
Miscellaneous	5,301
TOTAL REVENUES	152,765
EXPENDITURES:	
Personal Services	54,035
Operating	79,064
Travel	16,003
TOTAL EXPENDITURES	149,102
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,663
FUND BALANCE, JULY 1, 2004	136,711
FUND BALANCE, JUNE 30, 2005	\$ 140,374
FUND BALANCE CONSISTS OF:	
General Cash	\$ 136,904
Deposits with Vendors	3,470
TOTAL FUND BALANCE	\$ 140,374

The accompanying notes are an integral part of the schedule.

NEBRASKA GRAIN SORGHUM DEVELOPMENT,
UTILIZATION, AND MARKETING BOARD

NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2005

1. Criteria

The accounting policies of the Nebraska Grain Sorghum Development, Utilization, and Marketing Board are on the basis of accounting as prescribed by the State of Nebraska Department of Administrative Services (DAS).

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

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

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

The fund type established by NIS that is used by the Board is:

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

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

Taxes – Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. Taxes recorded as revenue for the Board consist of a fee of not to exceed one cent per hundredweight upon all grain sorghum sold through commercial channels in the State of Nebraska or delivered in the State of Nebraska.

NEBRASKA GRAIN SORGHUM DEVELOPMENT,
UTILIZATION, AND MARKETING BOARD

NOTES TO THE SCHEDULE
(Continued)

1. **Criteria** (Concluded)

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

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

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

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

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

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

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

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

2. **State Agency**

The Nebraska Grain Sorghum Development, Utilization, and Marketing Board (Board) is a State agency established under and governed by the laws of the State of Nebraska. As such, the Board is exempt from State and Federal income taxes. The schedule includes all funds of the Board.

The Nebraska Grain Sorghum Development, Utilization, and Marketing Board is part of the primary government for the State of Nebraska.

NEBRASKA GRAIN SORGHUM DEVELOPMENT,
UTILIZATION, AND MARKETING BOARD

NOTES TO THE SCHEDULE
(Continued)

3. Capital Assets

Under NIS, capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as expenditures. Capital assets, which would include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) would be reported for the State of Nebraska in the Comprehensive Annual Financial Report (CAFR). The Board values all capital assets at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Generally, equipment that has a cost of \$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 Board 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	\$ 12,444	\$ -	\$ 1,938	\$ 10,506
Less accumulated depreciation for:				
Equipment				<u>10,506</u>
Total capital assets, net of depreciation				<u>\$ -</u>

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NEBRASKA GRAIN SORGHUM DEVELOPMENT,
UTILIZATION, AND MARKETING BOARD
**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 Grain Sorghum Development, Utilization, and Marketing Board
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balance of the Nebraska Grain Sorghum Development, Utilization, and Marketing Board for the fiscal year ended June 30, 2005, and have issued our report thereon dated May 4, 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 Grain Sorghum Development, Utilization, and Marketing Board'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 Grain Sorghum Development, Utilization, and Marketing Board'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 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 Grain Sorghum Development, Utilization, and Marketing Board'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*.

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

Pat Reding, CPA

Assistant Deputy Auditor

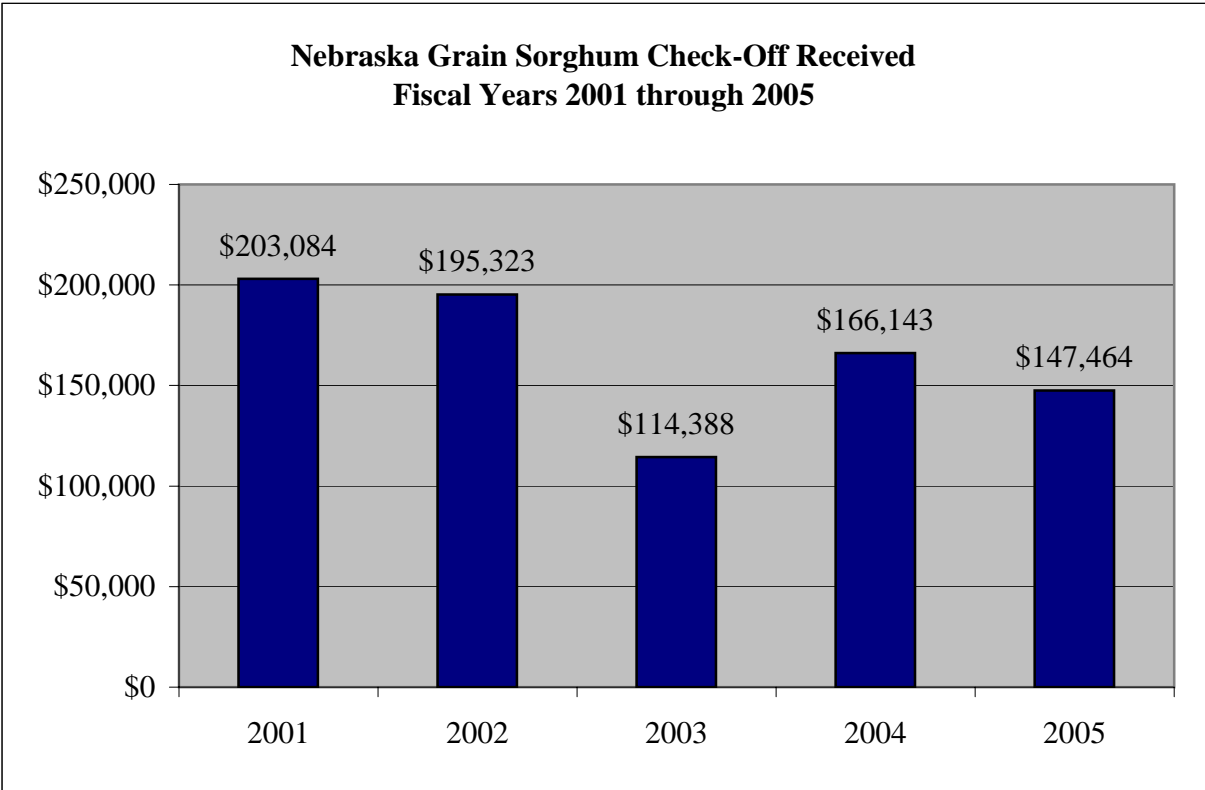
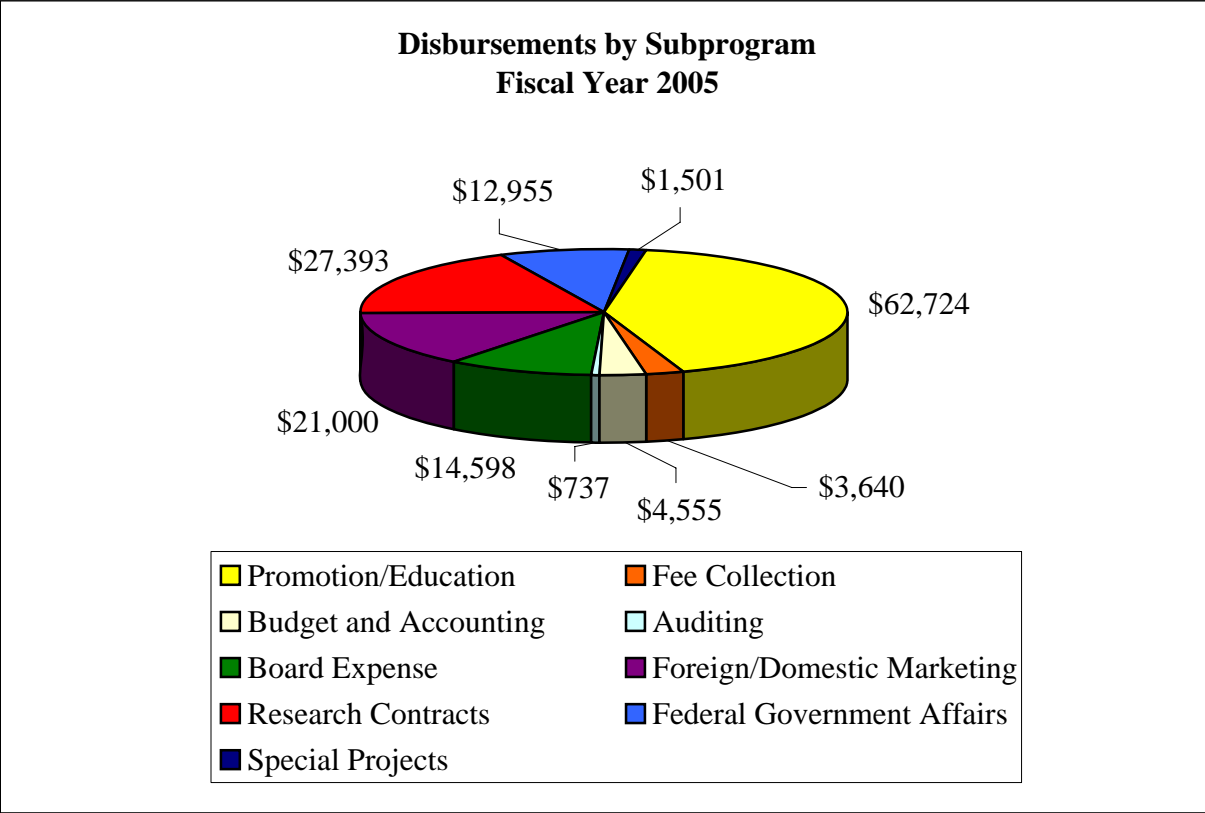
May 4, 2006

NEBRASKA GRAIN SORGHUM DEVELOPMENT,
UTILIZATION, AND MARKETING BOARD

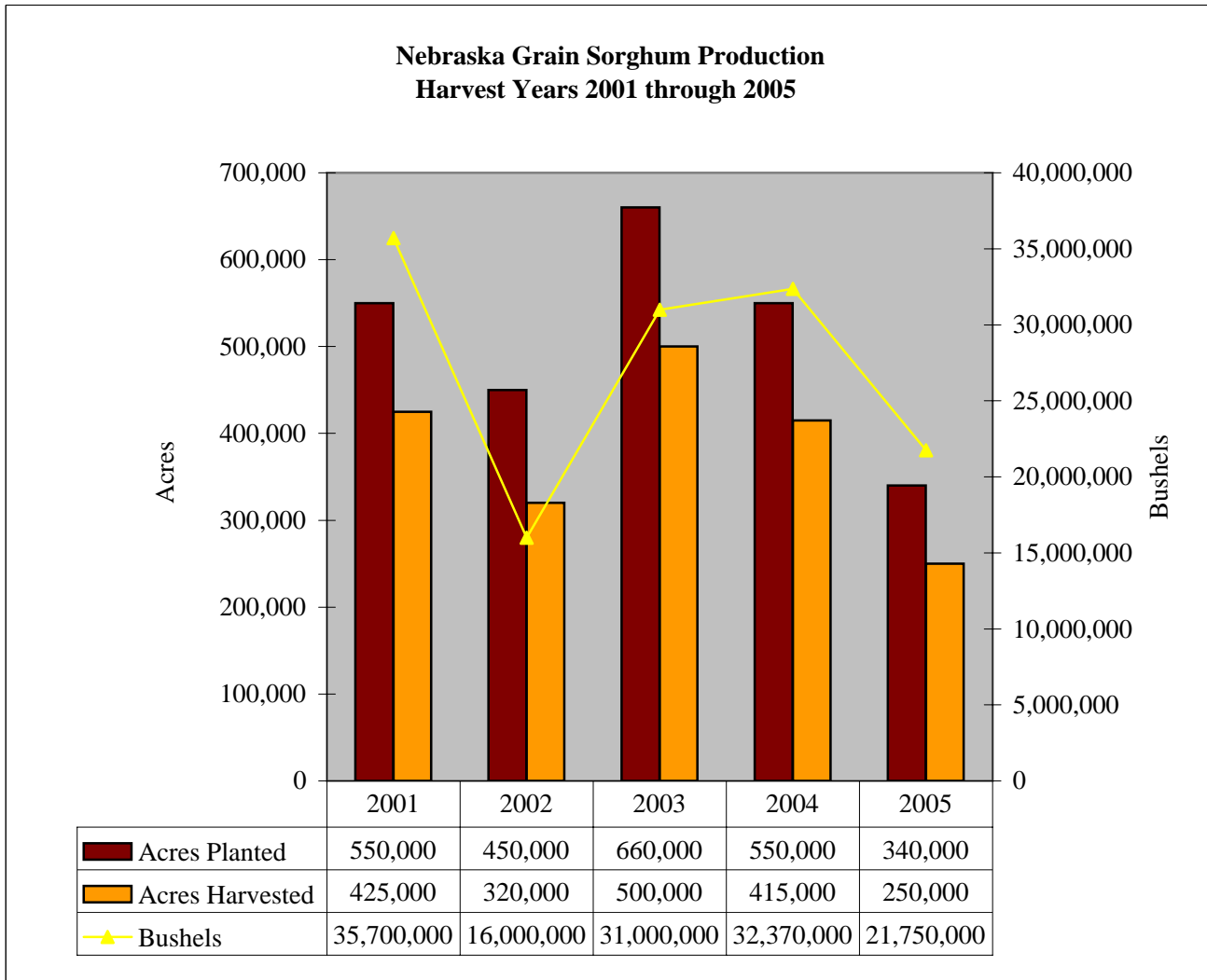
STATISTICAL SECTION

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 GRAIN SORGHUM DEVELOPMENT,
UTILIZATION, AND MARKETING BOARD**



**NEBRASKA GRAIN SORGHUM DEVELOPMENT
UTILIZATION, AND MARKETING BOARD**



Source: U.S. Department of Agriculture, National Agricultural Statistics Services Website.