



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Mike Foley  
State Auditor

Mike.Foley@nebraska.gov  
P.O. Box 98917  
State Capitol, Suite 2303  
Lincoln, Nebraska 68509  
402-471-2111, FAX 402-471-3301  
[www.auditors.state.ne.us](http://www.auditors.state.ne.us)

February 17, 2009

Richard Endacott, CEO  
Nebraska Board of Educational Lands and Funds  
555 North Cotner Blvd.  
Lincoln, NE 68505-2353

Dear Mr. Endacott:

We have audited the basic financial statements of the State of Nebraska (the State) for the year ended June 30, 2008, and have issued our report thereon dated December 19, 2008. We have also audited the State's compliance with requirements applicable to major Federal award programs and have issued our report thereon dated February 10, 2009. In planning and performing our audit, we considered the State's internal controls in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements of the State and on the State's compliance with requirements applicable to major programs, and to report on internal control in accordance with the Federal Office of Management and Budget (OMB) Circular A-133 (the Single Audit) and not to provide assurance on internal control. We have not considered internal control since the date of our report.

In connection with our audit described above, we noted a certain internal control or compliance matter related to the activities of the Nebraska Board of Educational Lands and Funds (the Agency) or an other operational matter that is presented below for your consideration. This comment and recommendation, which has been discussed with the appropriate members of the Agency's management, is intended to improve internal control or result in other operating efficiencies.

Our consideration of internal control included a review of prior year comments and recommendations. To the extent the situations that prompted the recommendations in the prior year still exist, they have been incorporated in the comment presented for the current year. All other prior year comments and recommendations (if applicable) have been satisfactorily resolved.

Draft copies of this letter were furnished to the Agency to provide them an opportunity to review the letter and to respond to the comment and recommendation included in this letter. The formal response received has been incorporated into this letter. The response has been objectively evaluated and recognized, as appropriate, in the letter. A response that indicates corrective action has been taken was not verified at this time, but will be verified in the next audit.

The following is our comment and recommendation for the year ended June 30, 2008.

**COMMENT RELATED TO THE AUDIT OF THE BASIC FINANCIAL STATEMENTS**

**1. Taxes Payable**

Good internal control and sound business practice requires procedures to ensure payments are processed properly as a current or prior year expenditure and to ensure payables at year end are accurate.

During the month of August 2008, the Agency paid \$2,965,147 for 2007 real estate taxes. These payments, which were a prior year obligation, were incorrectly processed as a current year obligation. The Agency also did not report these tax payments on the Agency's accrual response form, submitted to Administrative Services State Accounting Division (State Accounting). An adjusting entry was completed by State Accounting to record the payable on the financial statements in the Comprehensive Annual Financial Report (CAFR) of the State of Nebraska for fiscal year 2008.

When accrual amounts are not accurately reported there is a risk the financial statements will not be correctly stated.

We recommend the Agency ensure the second half of the property taxes paid in August each year are either recorded as a prior year obligation in the State's accounting system or are reported to State Accounting on their accrual response form.

*Management Response: This matter has been reviewed and the facts stated are accurate. In the future, the real estate tax payments made in August of each year will be properly recorded as a prior year obligation.*

Our audit procedures are designed primarily on a test basis and; therefore, may not bring to light all weaknesses in policies or procedures that may exist. Our objective is, however, to use our knowledge of the Agency and its interaction with other State agencies and administrative departments gained during our work to make comments and suggestions that we hope will be useful to you.

This letter is intended solely for the information and use of the Agency, the Governor and State Legislature, others within the Agency, Federal awarding agencies, pass-through entities, and management of the State of Nebraska. However, this letter is a matter of public record and its distribution is not limited.

We appreciate and thank all of the Agency employees for the courtesy and cooperation extended to us during our audit.

Signed Original on File

Pat Reding  
Assistant Deputy Auditor

Signed Original on File

Don Dunlap  
Assistant Deputy Auditor