



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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State Auditor

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February 16, 2010

Shane Osborn  
Nebraska State Treasurer  
State Capitol, Room 2005  
Lincoln, Nebraska 68509-4788

Dear Treasurer Osborn:

We have audited the basic financial statements of the State of Nebraska (the State) for the year ended June 30, 2009, and have issued our report thereon dated December 28, 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 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 State Treasurer (the Agency) or another 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 Agency declined to respond.

The following is our comment and recommendation for the year ended June 30, 2009.

**1. Unclaimed Property – Cash and Investments on the General Ledger**

A good internal control plan requires procedures to ensure all cash and investments not reported on the general ledger are reported to the Department of Administrative Services State Accounting Division (State Accounting) for inclusion in the Comprehensive Annual Financial Report (CAFR) of the State of Nebraska.

We noted the following regarding the information reported by the Agency to State Accounting for cash and investments not on the general ledger:

- The amount reported to State Accounting as securities held by UBS Financial Services (UBS) did not agree to the UBS statement at June 30, 2009; an understatement of \$448,410 was noted. UBS holds securities remitted to the Agency as Unclaimed Property. An adjusting entry was completed by State Accounting for the variance noted.
- The number of shares for 5 of 15 mutual funds tested did not agree to bank statements and resulted in a total overstatement of \$169,685. Also, one mutual fund totaling \$42,923 was included twice on the original listing of mutual funds provided to State Accounting. This duplication was removed and a revised listing was sent to State Accounting.
- The price for 1 of 14 mutual funds tested could not be traced to supporting documentation. The number of shares and price noted on the Agency's records were the same as the amount reported for fiscal year 2008.

Cash and investments on the financial statements for the escheat property trust fund are understated due to the use of incorrect amounts for UBS. There is a risk the financial statements could be over or under stated since documentation is not available to support some of the mutual fund amounts.

A similar finding was noted in our prior audit.

We recommend the Agency ensure all amounts held as investments, which are not recorded on the general ledger, be accurately reported to State Accounting for inclusion in the State's financial statements. We also recommend the amount held at UBS be obtained directly from the bank statement rather than a manually adjusted Excel spreadsheet and adequate documentation be maintained to support changes in shares for mutual funds held.

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 the Agency.

This report 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 and is not intended to be and should not be used by anyone other than the specified parties. However, this report 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, CPA, CFE  
Assistant Deputy Auditor