

**ATTESTATION REPORT
OF THE
NEBRASKA DRY BEAN COMMISSION
JANUARY 1, 2013 THROUGH DECEMBER 31, 2013**

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Issued on July 8, 2014

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NEBRASKA DRY BEAN COMMISSION

TABLE OF CONTENTS

	<u>Page</u>
Background Information Section	
Background	1
Comments Section	
Exit Conference	2
Summary of Comments	3
Comments and Recommendations	4 - 5
Financial Section	
Independent Accountant's Report	6 - 7
Schedule of Revenues, Expenditures, and Changes in Fund Balance	8
Notes to the Schedule	9 - 11
Supplementary Information	12
Dry Bean Taxes Received	13
Disbursements by Category	14

NEBRASKA DRY BEAN COMMISSION

BACKGROUND

With the passage of the Dry Bean Resources Act in 1987, the Dry Bean Development, Utilization, Promotion, and Education Fund was created by the Legislature. The Act is administered by the Dry Bean Commission (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 Commission consists of nine members: four grower representatives; three processor representatives appointed by the Governor; and two at-large grower representatives appointed by the Commission.

The Commission is funded by a tax assessed on dry edible beans grown in Nebraska and sold through commercial channels. Effective since 2004, the assessment rate is 10 cents per hundredweight. 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 compliance reviews of first purchasers, and various other accounting functions are performed by the Nebraska Department of Agriculture under contract with the Commission.

NEBRASKA DRY BEAN COMMISSION

EXIT CONFERENCE

An exit conference was held June 19, 2014, with the Nebraska Dry Bean Commission (Commission) to discuss the results of our examination. Those in attendance for the Commission were:

NAME	TITLE
Wes Ullrich	Commission Chairperson
Lynn Reuter	Administrative Assistant
Robert Storant	Nebraska Department of Agriculture Administrator of Finance and Personnel

NEBRASKA DRY BEAN COMMISSION

SUMMARY OF COMMENTS

During our examination of the Nebraska Dry Bean Commission (Commission), we noted certain deficiencies and other operational matters that are presented here.

These comments and recommendations are intended to improve the internal control over financial reporting or result in operational efficiencies in the following areas:

1. **Revenue Issues:** Deficiencies in internal controls over revenues were noted. Two individuals did not open the mail, and an initial listing of monies received was not prepared. Also, all checks received were not immediately deposited with the State Treasurer.
2. **Compliance Review Policies and Procedures:** The Commission did not have written policies or procedures covering compliance reviews of first purchasers. Also, only one entity is selected every other year for review.

More detailed information on the above items is provided hereafter. It should be noted that this report is critical in nature, containing only our comments and recommendations on the areas noted for improvement and does not include our observations on any accounting strengths of the Commission.

Draft copies of this report were furnished to the Commission to provide its management with an opportunity to review and to respond to the comments and recommendations contained herein. All formal responses received have been incorporated into this report. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next examination.

NEBRASKA DRY BEAN COMMISSION

COMMENTS AND RECOMMENDATIONS

1. Revenue Issues

A good internal control plan requires all mail be opened by two individuals and a log of monies received be completed to ensure all receipts are deposited. A good internal control plan also requires all monies received be deposited with the State Treasurer upon receipt.

The Nebraska Department of Agriculture (Department) processes revenues for the Commission.

Various individuals opened the mail; however, there was no initial log of monies received. The mail was opened in a central receiving area by one individual and endorsed for deposit only. The person opening the mail determined what type of receipt it was (i.e., corn, wheat, sorghum, dry bean, etc.) and then put it into the appropriate mailbox. Another employee entered all receipts received into the AS400 computer system, which generated a deposit listing for the day. Without an initial log of all receipts, there was no way to verify all receipts were deposited and accounted for.

It was also noted all checks were not deposited with the State Treasurer upon receipt. Checks received with no check-off fee form attached were put in the safe and not deposited. The entity submitting the check was contacted to obtain a check-off fee form. If no form was obtained within three days, the check was returned to the sender. Without the check being deposited with the State Treasurer and then a determination of the correct disposition of the check being completed, there was no way to verify all checks were appropriately accounted for.

When an initial listing of monies received is not prepared, there is an increased risk misplaced or lost receipts would go undetected. When checks are not deposited with the State Treasurer, there is an increased risk a check could be lost or misplaced, and there is also an increased risk that a check could be returned to an entity that owed the State.

We recommend the Commission work with the Department to implement policies and procedures to ensure all mail is opened by two individuals, and receipts are logged daily. Both individuals opening the mail should sign off on the log. The log should be reconciled to the amounts entered into the AS400 computer system by a separate individual to ensure all monies received are entered into the system and subsequently deposited. We further recommend all checks received be deposited with the State Treasurer.

Commission's Response: The Department of Agriculture is committed to having good internal controls over receipting of funds due the Dry Bean Commission and other commodities that services are provided for. Discussions will be had with the commission over the current process and review alternative controls. The department currently requires all firms to go online to receive their fee form and encourage them to complete the form online and make payment electronically. This will result in less funds being handled by department staff. Also, the department is in the process of developing accounts receivable software to create a uniform process for receipting payments that will result in the funds being deposited timely and then allocated once the backup is received.

NEBRASKA DRY BEAN COMMISSION

COMMENTS AND RECOMMENDATIONS

(Concluded)

2. Compliance Review Policies and Procedures

Sound accounting practice requires a documented process be in place for the selection of the entities subject to a compliance review. A good internal control plan requires the Commission to have written policies and procedures for conducting compliance reviews. A good internal control plan also requires that adequate review coverage be obtained.

The Nebraska Department of Agriculture (Department) conducted compliance reviews under contract with the Commission. The Commission did not have written policies and procedures to be adhered to by the Department for the selection of entities subject to compliance reviews and for conducting such reviews.

The Department conducted periodic compliance reviews of first purchasers of commodities to verify the quarterly information submitted by the first purchaser (entity) agreed to records on file at the entity (e.g., Quickbooks, checkstubs, etc.). However, the specific procedures for conducting the review was not documented in a written policy or procedure.

The Department indicated it judgmentally selected one first purchaser every other year from a listing of entities. However, its sampling process was not documented in a written policy or procedure. The current listing included 16 entities as first purchasers of dry beans. At the current rate of one every other year, an entity would only be reviewed once every 32 years.

When policies and procedures are not in place regarding compliance reviews, there is an increased risk compliance reviews will not be conducted timely and consistently. There is also an increased risk that, if the current compliance auditor leaves the position, knowledge related to the completion of compliance reviews will be lost. When only one entity is selected every other year, there is an increased risk that noncompliance could occur.

We recommend the Commission develop, in conjunction with the Department, written policies and procedures for the selection of entities subject to compliance reviews and for conducting such reviews. Additionally, we recommend the Commission select more than one entity for review every other year.

Commission's Response: The current enforcement procedure with the Dry Bean Commission will be reviewed and changes incorporated to document the compliance review process used by the department. The department will also recommend to the commission that at least one audit is performed each fiscal year.



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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 calendar year ended December 31, 2013. 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 calendar year end December 31, 2013, 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 are required to report findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Schedule of Revenues, Expenditures, and Changes in Fund Balance and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Schedule of Revenues, Expenditures, and Changes in Fund Balance is presented in accordance with the

criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedule of Revenues, Expenditures, and Changes in Fund Balance or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed no findings that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Commission, management, others within the Commission, and the appropriate Federal and regulatory agencies, and it is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

June 19, 2014



Mike Foley
Auditor of Public Accounts

NEBRASKA DRY BEAN COMMISSION
**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**
For the Calendar Year Ended December 31, 2013

	Dry Bean Development Utilization, Promotion, and Education Fund 28600 <hr/>
REVENUES:	
Taxes	\$ 298,038
Miscellaneous	5,183
TOTAL REVENUES	<hr/> 303,221 <hr/>
 EXPENDITURES:	
Personal Services	40,486
Operating	266,479
Travel	24,650
TOTAL EXPENDITURES	<hr/> 331,615 <hr/>
Net Change in Fund Balance	(28,394)
FUND BALANCE, January 1, 2013	<hr/> 70,632 <hr/>
FUND BALANCE, December 31, 2013	<hr/> \$ 42,238 <hr/>
 FUND BALANCE CONSISTS OF:	
General Cash	\$ 41,571
Deposits with Vendors	667
TOTAL FUND BALANCES	<hr/> \$ 42,238 <hr/>

The accompanying notes are an integral part of the schedule.

NEBRASKA DRY BEAN COMMISSION

NOTES TO THE SCHEDULE

For the Calendar Year Ended December 31, 2013

1. Criteria

The accounting policies of the Nebraska Dry Bean Commission (Commission) are on the basis of accounting, as prescribed by the State of Nebraska Director of Administrative Services (DAS).

Per Neb. Rev. Stat. § 81-1107(2) (Reissue 2008), the duties of the State of Nebraska's Director of DAS 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[.]

In accordance with Neb. Rev. Stat. § 81-1111(1) (Reissue 2008), the State Accounting Administrator has prescribed the system of accounts and accounting to be maintained by the State and its departments and agencies and has developed necessary accounting policies and procedures. The prescribed accounting system currently utilizes EnterpriseOne, an accounting resource software, to maintain the general ledger and all detailed accounting records. Policies and procedures are detailed in the Nebraska State Accounting Manual published by DAS State Accounting Division (State Accounting) and are available to the public.

The financial information used to prepare the Schedule of Revenues, Expenditures, and Changes in Fund Balance was obtained directly from the general ledger and fund balance information maintained on EnterpriseOne. EnterpriseOne is not an accrual accounting system; instead, accounts are maintained on a modified cash basis. As revenue transactions occur, the agencies record the accounts receivable and related revenues in the general ledger. As such, certain revenues are recorded when earned regardless of the timing of related cash flows.

State Accounting does not require the Commission to record all accounts receivable and related revenues in EnterpriseOne. As such, the Commission's schedule does not include all accounts receivable and related revenues. In a like manner, expenditures and related accounts payable are recorded in the general ledger as transactions occur. As such, the schedule includes those expenditures and related accounts payables posted in the general ledger as of December 31, 2013, and not yet paid as of that date. The amount recorded as expenditures on the schedule, as of December 31, 2013, **does not** include amounts for goods and services received before December 31, 2013, which had not been posted to the general ledger as of December 31, 2013.

The Commission had no accounts receivable at December 31, 2013. Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

The fund types established by the State that are used by the Commission are:

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.

NEBRASKA DRY BEAN COMMISSION

NOTES TO THE SCHEDULE
(Continued)

1. Criteria (Concluded)

The major revenue account classifications established by State Accounting and 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 consist of an excise tax of 10 cents per hundredweight for harvested dry edible beans.

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

The major expenditure account classifications established by State Accounting and 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 accounting classifications and procedures established by State Accounting 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. Accounts receivable are recorded as an increase to revenues, resulting in an increase to the fund balance on the schedule. Cash accounts and deposits with vendors are also included in the fund balance and are reported as recorded in the general ledger.

Liabilities – Legal obligations arising out of transactions in the past that must be liquidated, renewed, or refunded at some future date. Accounts payable transactions are recorded as expenditures, resulting in a decrease to the fund balance.

2. Reporting Entity

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 included in the general ledger.

The Commission is part of the primary government for the State of Nebraska.

NEBRASKA DRY BEAN COMMISSION

NOTES TO THE SCHEDULE
(Concluded)

3. General Cash

General cash accounts are under the control of the State Treasurer or other administrative bodies, as determined by law. All cash deposited with the State Treasurer is initially maintained in a pooled cash account. On a daily basis, the State Treasurer invests cash not needed for current operations with the State's Investment Council, which maintains an operating investment pool for such investments. Interest earned on those investments is allocated to funds based on their percentage of the investment pool.

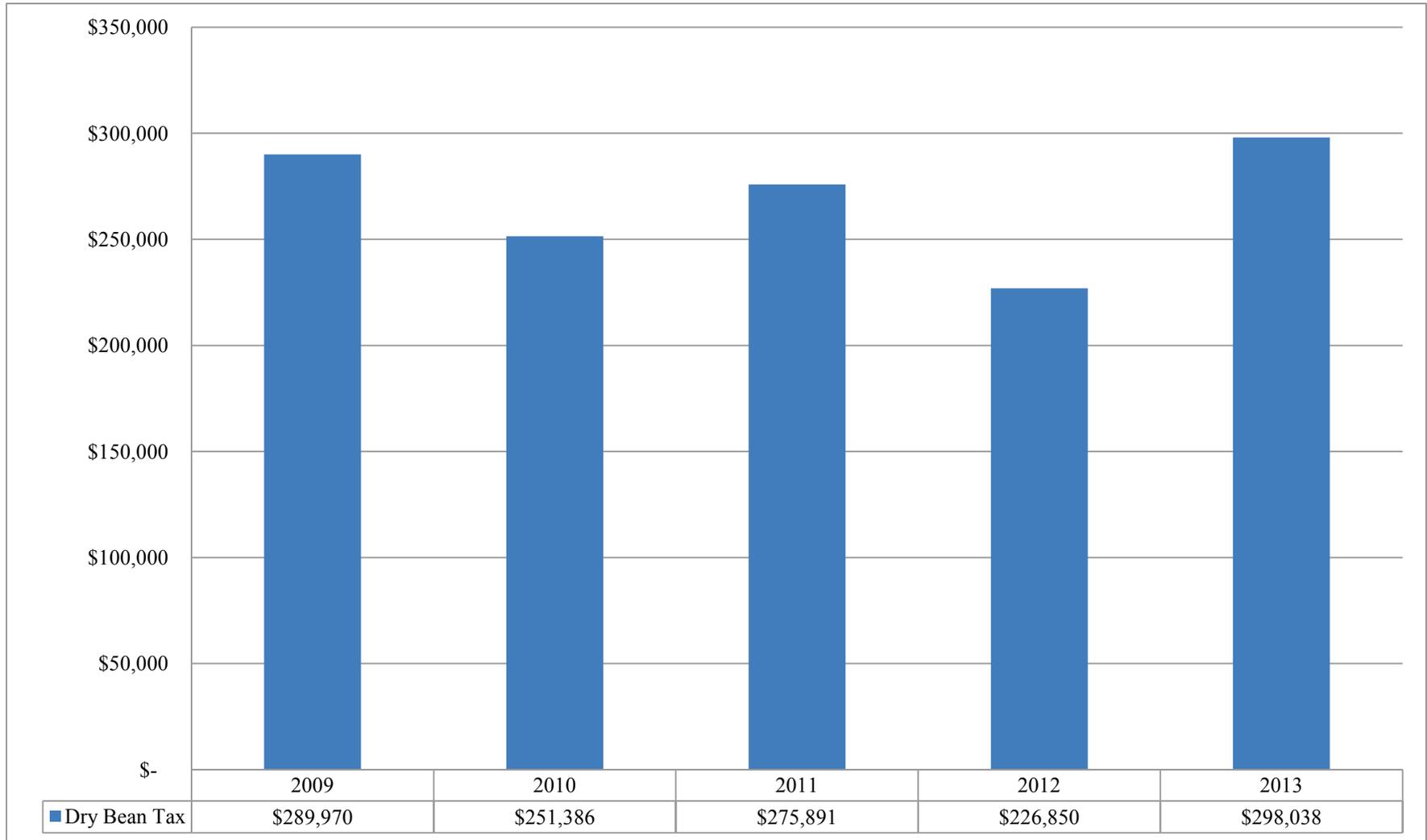
NEBRASKA DRY BEAN COMMISSION

SUPPLEMENTARY INFORMATION

Our examination was conducted for the purpose of forming an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balance. Supplementary 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
Calendar Years 2009 through 2013



NEBRASKA DRY BEAN COMMISSION

DISBURSEMENTS BY CATEGORY

Calendar Year 2013

