

## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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November 2, 2015

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Rod Wagner, Director  
Nebraska Library Commission  
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Lincoln, NE 68508-2023

Dear Sirs and Madam:

This letter is provided pursuant to AICPA Auditing Standards AU-C Section 265.A17, which permits the early communication of certain audit findings due to their significance and the urgent need for corrective action.

The audit work addressed herein was performed as part of the fiscal year 2015 Comprehensive Annual Financial Report (CAFR) and Statewide Single (Single) audits. This communication is based on our audit procedures through June 30, 2015. Because we have not completed our audits

of the fiscal year 2015 CAFR or Single, additional matters may be identified and communicated in our final reports.

In planning and performing our audits of the financial statements, we considered the State's internal control over financial reporting (internal control) as a basis for designing audit procedures for the purpose of expressing our opinions on the financial statements of the State, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

We noted certain internal control or compliance matters related to the activities of the Nebraska State Treasurer (State Treasurer), Supreme Court Administrators Office (Court Offices), Nebraska Department of Health and Human Services (DHHS), Nebraska Attorney General (Attorney General), Nebraska Department of Roads (Roads), Nebraska State Patrol (State Patrol), Nebraska Department of Corrections (Corrections), Public Service Commission, Nebraska Military Department (Military), the Nebraska Game and Parks Commission (Game and Parks), and the Nebraska Library Commission (Library Commission), or other operational matters, that are presented below for your consideration. The following comments and recommendations, which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Comment Number 3 (Bank Signature Cards Not Updated) to be a significant deficiency. This comment will also be reported in the State of Nebraska's Statewide Single Audit Report – Schedule of Findings and Questioned Costs.

For the sake of security, the related bank account numbers were removed from this letter and replaced with XXX and the last three corresponding digits of the account.

Draft copies of this letter were furnished to provide 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 letter. Responses have been objectively evaluated and recognized, as appropriate, in the letter. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next audit.

In essence, this letter explains that certain entities operated bank accounts under the State's Federal Tax Identification Number (FTIN) and, in some cases, without the knowledge or approval of the State Treasurer. Many of these accounts were not reflected on the State Treasurer's official bank records; furthermore, many accounts containing State funds had outdated signature cards, including those signed by terminated employees.

### **Background Information**

Recent agency audits conducted by the Nebraska Auditor of Public Accounts (APA) have found certain bank or other financial accounts utilizing the State of Nebraska federal tax identification number (FTIN), **47-0491233**, without the knowledge or approval of the State Treasurer. The State Treasurer is responsible for the management and reconciliation of all State accounts, as designated by the above-referenced FTIN.

Neb. Rev. Stat. § 77-2301(1) (Reissue 2009) requires the following:

*The State Treasurer shall deposit, and at all times keep on deposit for safekeeping, in the state or national banks, or some of them doing business in this state and of approved standing and responsibility, the amount of money in his or her hands belonging to the several current funds in the state treasury. Any bank may apply for the privilege of keeping on deposit such funds or some part thereof.*

Therefore, the APA attempted to accumulate a comprehensive list of all related financial accounts containing the State's FTIN, along with their respective balances, as of June 30, 2015.

On July 8, 2015, the APA sent confirmation request letters to 276 banks and credit unions doing business in Nebraska, seeking their assistance with the compilation of banking information regarding the use of the State's FTIN for any related financial accounts under their control. At the same time, the APA also sent requests to all State agencies, boards, commissions, State Colleges, and the University of Nebraska, requesting the identification of any financial accounts utilizing the State's FTIN, as of June 30, 2015. The APA received a response from every financial institution to which a confirmation request had been sent. This information was reconciled and tested against the account information provided by all of the State agencies.

The APA has included a listing of those bank accounts on **EXHIBIT A**. Those accounts had balances of over \$100 million, as of June 30, 2015.

It should be noted that the purpose was to locate and gather basic data regarding any bank account held under the State's FTIN, not to test the related activity within each account. Consequently, no such testing was performed other than what has been included below.

As a result of this compilation of key banking information, the APA found the following issues:

### **Comments and Recommendations**

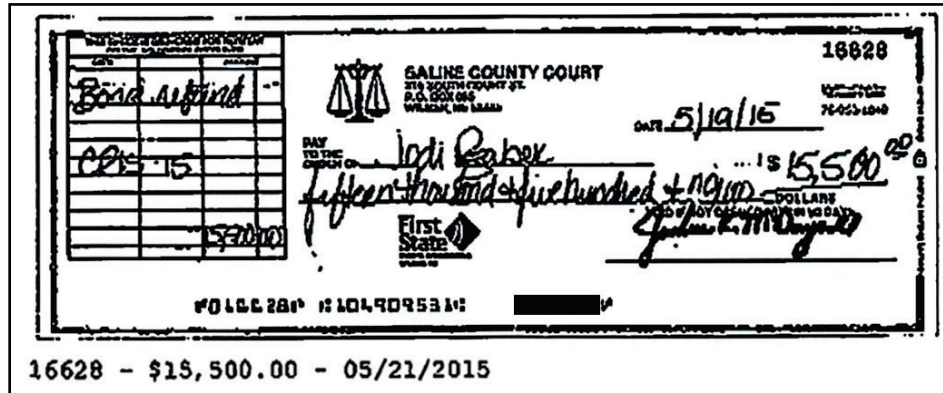
#### **1. Saline County Court Alleged Fraud**

During the compilation of the requested banking account information, the APA uncovered an apparent fraud of at least \$15,500 at the Saline County Court (Court) by Jodi Rezabek, an employee of the Court Offices.

During an August 13, 2015, meeting with representatives of the Auditor of Public Accounts (APA) and the Attorney General (AG), Ms. Rezabek confessed to having taken \$15,500 from the

Court in order to pay off a contractor. She also admitted to altering the Court bank statements in an attempt to conceal having made the \$15,500 check payable to herself.

The following is a copy of the allegedly fraudulent check that Ms. Rezabek confessed to having written:



The events leading up to Ms. Rezabek's confession began in July 2015, when the APA received documentation from First State Bank in Lincoln, NE, confirming the Court's bank balance at June 30, 2015. Around that same time, the APA had also confirmed the Court balance with the local First State Bank branch in Wilber, NE, as part of our normal Court audit procedures. However, the balance between the two bank confirmations differed by \$15,500, as reflected below. There were questions as to whether the second confirmation had been falsified.

Bank	Balance at June 30, 2015	
First State Bank - Lincoln	\$59,449.45	See <b>Attachment A</b>
First State Bank - Wilber	\$74,949.45	See <b>Attachment B</b>
<b>Variance</b>	<b>(\$15,500.00)</b>	

Investigating the \$15,500 variance, the APA found that the bank statements, maintained by the Court, for May and July of 2015 appeared to have been altered. Not only was the printed font bolded, but also certain figures were off center on the documents. Additionally, the ending daily balances on the back of the monthly statements did not agree to the amounts listed on the front.

On August 11, 2015, the APA obtained from First State Bank a copy of the actual May 2015 bank statement, which clearly supported the APA's suspicion that the statements had been altered. The image of check number 16628 had been removed from the apparently falsified statements, and the balances appear to have been adjusted to reflect the \$15,500 check.

In her confession to the APA and AG representatives, Ms. Rezabek admitted to taking the \$15,500 and using the signature stamp of the Clerk Magistrate, Joshua McDougall, to sign the check. She admitted also to altering the bank statements for May, June, and July 2015 by printing out those documents, manually adjusting the balances, and then running the falsified records through the Court's scanner. When asked about the case designated on the check, Ms. Rezabek acknowledged having selected a random case number to make the check resemble any other payment issued by the Court.

As a result of uncovering this allegedly fraudulent check, the APA simultaneously conducted the Saline County Court attestation to ensure that additional funds had not been compromised. The criminal case filed in Saline County District Court against Ms. Rezabek is ongoing. Additional information about this incident, as well as our formal recommendations relating thereto, have been included in the Attestation Report of Saline County Court, issued on September 24, 2015.

**County Court's Response:** *This action was discovered via a regular audit by the State Auditor's Office. As noted above, this office has already taken steps to correct the situation. Added oversight through a better Segregation of Duties, as well as the oversight by Financial Specialists will assist with supervision of accounts. Prior to any reconciliation, all bank statements will be verified with the bank and checked for accuracy. Check numbers will continue to be monitored and deposits will be done daily with frequent review by the Clerk Magistrate and Financial Specialist to ensure that deposits are made according to Statute.*

**State Treasurer Response:** *I commend the State Auditor for uncovering this fraud by an employee of the Saline County Court.*

## **2. Unauthorized Accounts Utilizing State's FTIN**

The APA identified 33 financial accounts using the State's FTIN at June 30, 2015, which were not authorized by the State Treasurer. None of these accounts appear to have contained State funds. In many cases, moreover, the authorized signers had no ties to current employees of the State of Nebraska.

However, the APA observed certain agency employees were controlling 15 unauthorized bank accounts under the State's FTIN. Two agencies maintained unincorporated association accounts to collect monies and other donations for non-State business, including retirement parties for the Military Department and payments to a lobbyist for the Court Offices. In addition, Roads had an account for Christmas parties, while DHHS had an account used to hold donations and pay expenses for the Adoption Day annual event.

The State agency confirmations received did not report that any of these 15 unauthorized bank accounts were under their control or oversight as of June 30, 2015. Rather, these accounts were identified through the responses received from Nebraska banks regarding accounts under the State's FTIN. The following is a summary of those 15 unauthorized bank accounts:

Agency	Bank Name	Account Name or Owner	Account Number	Balance at 6/30/2015	Authorizing Signers and Title (If Known)	APA Notes
Corrections	U.S. Bank	Community Corrections Center - Lincoln - Employee Activity	XXX433	\$1,182.52	Pamela Prater (Administrative Assistant, Retired 1/20/2012), Charles Mink Jr. (Corrections Corporal), and Marilyn Becker (Secretary, Terminated 7/15/2015)	Account maintained by State employees at Corrections for parties and employee recognition.
DHHS	Pinnacle Bank	Social Services - Courtesy Club	XXX563	\$531.36	Robert Furr (Resource Developer Supervisor) and Patricia Ferguson (Staff Assistant II)	Account was not included on DHHS listing of bank accounts; however, authorized signers are State Employees.

Agency	Bank Name	Account Name or Owner	Account Number	Balance at 6/30/2015	Authorizing Signers and Title (If Known)	APA Notes
DHHS	Exchange Bank	State of Nebraska WKEA	XXX050	\$413.34	Lisa Irwin (Kearney Youth Rehabilitation and Treatment Center - Teacher) and Shantel Eatherton (Kearney Youth Rehabilitation and Treatment Center - Teacher)	Signature card identified account as belonging to an unincorporated association. Account was not included on DHHS listing of bank accounts; however, authorized signers are State Employees.
DHHS	Pinnacle Bank	DHHS - Bridges Program Residents	XXX252	\$377.00	Initially the bank did not have a signature card on file; however, the APA received an updated signature card from the bank on 9/28/2015. Gerald Grafe (Hastings Regional Center Safety and Habilitation Supervisor) and Deborah Johnsen (Hastings Regional Center Developmental Disabilities Manager).	Account was not listed on DHHS confirmation. Account signature card was updated on August 25, 2015. Two other signers were removed at that time.
DHHS	Home Federal Savings and Loan Association of Grand Island	DHHS - Adoption Day	XXX485	\$276.29	Marge Creason (Child/Family Services Specialist, Terminated 4/27/2015), Barb Ernst (Child/Family Services Specialist Supervisor, Terminated 8/05/2013), and Deb Pool (Administrative Assistant II)	Account used to hold donations and pay expenses for Adoption Day annual events.
DHHS	Exchange Bank	State of Nebraska SCATA	XXX039	\$119.06	Lisa Irwin (Kearney Youth Rehabilitation and Treatment Center - Teacher) and Shantel Eatherton (Kearney Youth Rehabilitation and Treatment Center - Teacher)	State Code Agencies Teachers Association (SCATA) account. Signature card lists account as belonging to an unincorporated association.
Military	Security First Bank	Military Department - Headquarter Operations	XXX262	\$43,235.67	Terril Kattes (Military - Administrative Assistant II) and Sandy Cunning (Military - Accountant II)	Per the Department of Military, bank account was used for retirement parties and was comprised of donations collected by State employees but not State funds.

Agency	Bank Name	Account Name or Owner	Account Number	Balance at 6/30/2015	Authorizing Signers and Title (If Known)	APA Notes
Roads	Nebraska-Land National Bank	Department of Roads	XXX186	\$163.96	Connie Lyons (Highway Construction Management Technician), Carrie Klock (Administrative Assistant I, Terminated 5/18/2012), Jason Nichols (Highway Construction Technician IV), and Gary Thayer (Highway District Engineer)	Per correspondence with the Department of Roads, bank account was used as a district office Christmas fund and contained no State funds. Account was closed on 7/28/2015.
Court Offices	Arbor Bank	Nebraska County Court Association	XXX080	\$6,971.19	Kimberly Durow (Cass County Court - Clerk Magistrate III)	Unincorporated association maintained by State employees at the Court Offices.
Court Offices	Arbor Bank	Nebraska County Court Association - Lobbyist Account	XXX486	\$1,672.29	Kimberly Durow (Cass County Court - Clerk Magistrate III)	Unincorporated association maintained by State employees at the Court Offices to pay a lobbyist.
University of Nebraska	Metro Health Services Credit Union	Sun Apta PT Education	XXX484	\$8,102.49	Mickaela Schweitzer (Student), Gregory Schlueter (Student), and Betsy Becker (UNMC Professor)	The University of Nebraska American Physical Therapy Association (SUN-APTA) account was not included as a University bank account by the Director of University-wide Accounting. University accounts should be under FTIN 47-0049123.
University of Nebraska	Metro Health Services Credit Union	TED Courtesy Fund	XXX816	\$2,105.72	Lana Danielson (UNO Employee, Terminated 1/1/2013)	The Teacher Education Department (TED) Courtesy Fund account was not included as a University bank account by the Director of University-wide Accounting. University accounts should be under FTIN 47-0049123.
University of Nebraska	Security National Bank of Omaha	University of Nebraska - Omaha Collegiate - Music Teachers	XXX669	\$525.78	James Johnson (UNO Music Professor)	The music teacher's account was not included as a University bank account by the Director of University-wide Accounting. University accounts should be under FTIN 47-0049123.



Agency	Bank Name	Account Name or Owner	Account Number	Balance at 6/30/2015	Authorizing Signers and Title (If Known)	APA Notes
University of Nebraska	Wells Fargo	University of Nebraska Medical Center - CON Kearney Dir	XXX229	\$455.34	Jeanne Bentz (College of Nursing Instructor Terminated 9/1/2012), Jill Reed (College of Nursing Asst Professor), Patricia Trausch (College of Nursing Instructor, Terminated 9/1/2015), and Gloria Geiselman (College of Nursing Office Associate)	College of Nursing account was not included as a University bank account by the Director of University-wide Accounting. University accounts should be under FTIN 47-0049123.
Wayne State College	Elkhorn Valley Bank & Trust	Wayne Education Office Personnel Association	XXX915	\$105.99	Carol Stephens (Wayne State College Office Assistant III)	Wayne Education Office Personnel Association account was not included as a State College account. State College accounts should be under FTIN 61-1573095.
<b>Total Balances at June 30, 2015</b>				<b>\$66,238.00</b>		

The APA also identified 18 other financial accounts utilizing the State's FTIN as of June 30, 2015, which were not authorized by the State Treasurer. None of these accounts appear to have any financial ties to the State of Nebraska or its employees. These unauthorized accounts included private company accounts, 4-H Council accounts, and concession fund accounts. The following is a summary of those bank accounts identified that should not be utilizing the State of Nebraska FTIN.

Bank Name	Account Name or Owner	Account Number	Balance at 6/30/2015	Authorizing Signers and Title (If Known)	APA Notes
Commercial State Bank	The Handyman Company	XXX680	\$3,924.52	Rick Bennie	Account appears to be under a private company.
Bank of Keystone	Arthur County 4-H Savings	XXX180	\$3,571.47	Trevor Dam and Kimberly Wenzel	
U.S. Bank	The Armor Club	XXX563	\$3,476.37	Robert Harpst, Brian Hilkemann, and Jeffery Holobrook	Unknown Account Owner.
South Central State Bank	Nebraska Energy Office - Remittance	XXX921	\$1,934.37	Kathryn Anderson and Steven Krueger (Bank Employees)	Account was not included with Energy Confirmation, as it was setup by the bank. Energy Office Loan Remittance account for loan amounts received to be paid to State of Nebraska.
Cornerstone Bank	Clay County Investigation Team	XXX461	\$1,709.58	Ted Griess (Clay County Attorney) and Jennifer Fleischer (Clay County Attorney Office)	Appears to be a Clay County account.
First State Bank	Panhandle Regional Network Development Group	XXX665	\$1,346.76	Jerry Terwilliger	



Bank Name	Account Name or Owner	Account Number	Balance at 6/30/2015	Authorizing Signers and Title (If Known)	APA Notes
Pinnacle Bank	National Guard Armory - Unit Welfare & Operations	XXX088	\$1,296.52	Dennis Sedlacek (Corrections Officer, Terminated 2/27/2008), Kurtis Inderlied (Corrections Officer, Terminated 1/16/2008), and Steven Brewer	
Nebraska State Employees Credit Union	NDDL - Courtesy Community Fund	XXX620	\$787.60	None Available per Bank	Per Credit Union on 8/5/2015, the FTIN was changed so no longer under the State's.
Bank of Keystone	Arthur County 4-H Council	XXX507	\$561.05	Trevor Dam and Kimberly Wenzel	
U.S. Bank	Omaha Garrison Concession Fund	XXX683	\$500.00	Amber Engelman and Robert Prokopf	
U.S. Bank	Omaha Garrison Concession Fund	XXX055	\$459.63	Mark Vanderheiden and Curtis Koehler	
Columbus Bank and Trust Company	1075th Transportation Co.	XXX928	\$227.53	Rick Ruth & Richard Graves	Department of the Army lineage and honor bank account.
Nebraska State Employees Credit Union	NDDL - Courtesy Community Fund	XXX674	\$160.11	None Available per Bank	Per Credit Union on 8/5/2015, the FTIN was changed so no longer under the State's.
Union Bank and Trust Company	Penterman Armory	XXX442	\$66.21	Eric Baptiste	Account appears to be related to the Army National Guard.
U.S. Bank	754 Chemical Operations Fund	XXX684	\$7.09	Robert Prokopf and Lorin Hill	
U.S. Bank	City of Lincoln	XXX676	\$0.00	None Available per Bank	
U.S. Bank	Omaha Public Schools	XXX423	\$0.00	None Available per Bank	
U.S. Bank	754 Chemical Operations Fund	XXX210	\$0.00	None Available per Bank	
<b>Total Balances at June 30, 2015</b>			<b>\$20,028.81</b>		

As noted already in the “Background Information” section herein, § 77-2301(1) requires the State Treasurer to “deposit, and at all times keep on deposit for safekeeping, in the state or national banks . . . the amount of money in his or her hands belonging to the several current funds in the state treasury.”

Likewise, Neb. Rev. Stat. § 77-2309 (Reissue 2009) requires the following:

*It is made the duty of the State Treasurer to use all reasonable and proper means to secure to the state the best terms for the depositing of the money belonging to the state, consistent with the safekeeping and prompt payment of the funds of the state when demanded.*

Neb. Rev. Stat. § 77-2398(1) (Cum. Supp. 2014) requires public funds in financial institutions to be secured by the appropriate amount of pledged collateral. That statute provides the following, in relevant part:

*As an alternative to the requirements to secure the deposit of public money or public funds in excess of the amount insured or guaranteed by the Federal Deposit Insurance Corporation pursuant to sections 77-2389 and 77-2394, a bank, capital stock financial institution, or qualifying mutual financial institution designated as a public depository may secure the deposits of one or more governmental units by providing a deposit guaranty bond or by depositing, pledging, or granting a security interest in a single pool of securities to secure the repayment of all public money or public funds deposited in the bank, capital stock financial institution, or qualifying mutual financial institution by such governmental units and not otherwise secured pursuant to law, if at all times the total value of the deposit guaranty bond is at least equal to the amount on deposit which is in excess of the amount so insured or guaranteed or the aggregate market value of the pool of securities so deposited, pledged, or in which a security interest is granted is at least equal to one hundred five percent of the amount on deposit which is in excess of the amount so insured or guaranteed.*

Good internal control procedures require a periodic review by the State Treasurer of those accounts under the State's FTIN to ensure that all such accounts are properly authorized and secured by the appropriate amount of pledged collateral.

Allowing accounts to be opened and operated under the State's FTIN without the authorization of the State Treasurer may result in loss or misuse of State funds or give rise to concerns regarding insufficient pledged collateral to secure the amount of public in excess of FDIC coverage.

We recommend those agencies who were identified above remove the State's FTIN from any unauthorized accounts. We also recommend the State Treasurer work with these entities and/or corresponding banks identified herein to ensure only authorized accounts are using the State's FTIN and to remove any unauthorized accounts. All bank accounts using the State's FTIN should be operated under the control or approval of the State Treasurer. The State Treasurer should notify all agencies of its responsibility to establish bank accounts on behalf of the State of Nebraska to ensure future bank accounts under the State's FTIN are properly approved.

***Corrections Response:*** *The employee association account at the Community Correctional Center – Lincoln has had the FTIN changed to 47-3938000 as of May 7, 2015.*

***DHHS Response:*** *The Department of Health and Human Services will develop and implement an Agency Policy regarding the proper creation and usage of outside bank accounts by Department employees. The Department will review the outside bank accounts identified by the State Auditor's Office. The Department will work with the State Treasurer's Office to take appropriate action on all accounts identified in the letter. We will obtain approval for all bank accounts that are determined to require authorization by the Nebraska State Treasurer and request Statute changes as necessary. The Department will ensure all bank accounts have updated Authorized Signature cards.*

***Military Response:*** *The Military Department was not aware that the State's FTIN was associated with Military Department accounts noted in the draft Early Management Letter. The Military Department will look at, and address this issue.*

**Court Offices Response:** Current officers of the Nebraska County Court Association have been contacted. They are in the process of removing the State's FTIN and establishing a new FTIN which will show that the association is separate from the court system.

**State Treasurer Response:** These 33 accounts held no State funds.

- I am sending letters to all State agencies letting the agencies know it is the responsibility of the State Treasurer to establish bank accounts on behalf of the State of Nebraska.
- My office is sending letters to banks that have accounts under the State's FTIN to change the FTINs for accounts that do not hold State funds and do not have financial ties to the State of Nebraska or its employees.
- My office also is sending letters to banks that have accounts under the State's FTIN to change the FTINs for accounts that do not hold State funds, but are each under the control of a State employee.

### 3. Bank Signature Cards Not Updated

The APA identified 34 bank accounts that lacked updated signature cards. Several signers still listed on the signature cards had terminated employment or retired many years ago. For six of the accounts identified, the corresponding banks had no signature cards on file.

The following accounts had outdated signature cards, including signers who were no longer employed by the agencies:

Agency	Bank Name	Account Name or Owner	Account Number	Balance at 6/30/2015	Terminated Signer	Title	Termination Date
Attorney General	Lincoln FSB of Nebraska	Attorney General	XXX005	\$250.00	Mark Pedersen	Assistant Business Manager	12/6/2012
Corrections	U.S. Bank	Department of Correctional Services	XXX750	\$135,549.16	Frank Hopkins Robert Houston	Non-Classified Director	5/1/2015 9/16/2013
Corrections	U.S. Bank	Department of Correctional Services	XXX469	\$7,007.39	None Available Per Bank		
Corrections	Wells Fargo	Department of Correctional Services - Omaha Correctional Center - Emergency Cash	XXX459	\$1,919.93	Karen Shortridge Robert Houston Tom Lopez	Superintendent Director Business Manager	7/2/2010 9/16/2013 2/28/2014
DHHS	Five Points Bank	Grand Island Veterans' Home - Member Trust Fund	XXX963	\$327,358.47	Janet Warneke	Accountant I	1/11/2015
DHHS	U.S. Bank	Western Nebraska Veterans' Home	XXX695	\$21,851.24	None Available Per Bank		
DHHS	U.S. Bank	Veterans' Home	XXX607	\$19,545.28	None Available Per Bank		
DHHS	Wells Fargo	Norfolk Regional Center	XXX127	\$2,886.00	James McElfresh	Human Resources Manager	4/11/2014
DHHS	U.S. Bank	Child Support Enforcement - Petty Cash	XXX313	\$2,325.98	None Available Per Bank		
DHHS	U.S. Bank	Child Support Enforcement	XXX348	\$2,038.68	None Available Per Bank		

Agency	Bank Name	Account Name or Owner	Account Number	Balance at 6/30/2015	Terminated Signer	Title	Termination Date
DHHS	Wells Fargo	Veterans' Home	XXX523	\$1,901.50	Janet Warneke	Accountant I	1/11/2015
DHHS	U.S. Bank	Western Nebraska Veterans' Home	XXX479	\$1,705.70	None Available Per Bank		
DHHS	Pinnacle Bank	Department of Health & Human Services - Accounting Unit	XXX703	\$1,283.20	Thomas Jurgens	Accounting and Finance Manager	12/17/2010
DHHS	Pinnacle Bank	Bureau of Vital Statistics	XXX633	\$963.50	Carolyn Allen Jerry Fischer Lori Morton	Admin. Assistant I Program Analyst Unknown	5/12/2005 7/7/2015 Unknown
DHHS	Home Federal Savings and Loan Association of Grand Island	Department of Health & Human Services - Adoption Day	XXX485	\$276.29	Marge Creason Barb Ernst	Services Specialist Services Specialist	4/27/2015 8/5/2013
Public Service Commission	Wells Fargo	Public Service Commission	XXX809	\$156,015.60	Steve Meradeith	Director I	6/6/2015
Roads	Nebraska-Land National Bank	Department of Roads (Note 1)	XXX186	\$163.96	Carrie Klock	Administrative Assistant I	5/18/2012
State Patrol	Union Bank & Trust Co.	Nebraska State Patrol	XXX253	\$196,174.94	David Sankey Mark Funkhouser	Director Major	12/31/2014 12/31/2013
State Patrol	Wells Fargo	Nebraska State Patrol	XXX610	\$12,137.94	David Sankey Mark Funkhouser	Director Major	12/31/2014 12/31/2013
State Treasurer	U.S. Bank	State Treasurer	XXX576	\$21,538,940.04	Shane Osborn Jason Hayes	State Treasurer Deputy Treasurer	1/6/2011 12/9/2009
State Treasurer	First National Bank of Omaha	State Treasurer	XXX044	\$382,805.15	Shane Osborn Jason Hayes Ron Ross Scott Yank Michelle Raphael	State Treasurer Deputy Treasurer State Treasurer Deputy Treasurer Program Director	1/6/2011 12/9/2009 1/4/2007 1/16/2007 2/1/2013
State Treasurer	First National Bank of Omaha	State Treasurer	XXX937	\$0.00	Shane Osborn Jason Hayes	State Treasurer Deputy Treasurer	1/6/2011 12/9/2009
Court Offices	First National Bank of Omaha	Douglas County Court - City of Omaha	XXX722	\$2,192,911.45	Theresa Smith Sims	Division Manager	11/30/2014
Court Offices	U.S. Bank	Lancaster County Court	XXX854	\$1,401,805.08	Donna Hubert Deann Bourne	Division Manager Assistant Clerk II	11/20/2013 6/1/2012
Court Offices	Valley Bank and Trust Co.	Scotts Bluff County Court	XXX583	\$266,315.17	Beverly Ullrich	Accounting Clerk	7/17/2015
Court Offices	Nebraska State Bank and Trust Company	Custer County Court	XXX502	\$39,153.62	Dianne Haas	Records Clerk I	5/2/2015
Court Offices	Pinnacle Bank	Polk County Court (Note 2)	XXX118	\$32,110.74	Curtis Evans Garlyn Beeman	Judge Clerk Magistrate I	5/13/2013 5/8/2015
Court Offices	First Nebraska Bank	Stanton County Court	XXX586	\$31,843.62	Mary Louise Hill	Assistant Clerk I	9/28/2007
Court Offices	Pinnacle Bank	Holt County Court	XXX010	\$27,485.25	Mildred Clark	Clerk Magistrate I	7/31/2011

Agency	Bank Name	Account Name or Owner	Account Number	Balance at 6/30/2015	Terminated Signer	Title	Termination Date
Court Offices	Western Nebraska Bank	Frontier County Court ( <b>Note 2</b> )	XXX305	\$24,558.59	Kathy Jones	Clerk Magistrate II	4/6/2012
Court Offices	Valley Bank and Trust Co.	Banner County Court	XXX854	\$10,574.69	Beverly Ullrich	Accounting Clerk	7/17/2015
Court Offices	Farmers and Merchants State Bank	Knox County Court ( <b>Note 2</b> )	XXX070	\$7,736.06	Virginia Morse	Registrar	11/30/2011
Court Offices	Heritage Bank	Hamilton County Court - Gerdes	XXX570	\$7,012.35	Holly Salmon	Assistant Clerk I	8/27/2012
Court Offices	Heritage Bank	Sherman County Court	XXX989	\$5,308.48	A Pauline Grooms	Clerk Magistrate I	12/31/2010
<b>Total Balances at June 30, 2015</b>			<b>\$26,859,915.05</b>				

**Note 1:** Bank account closed on July 28, 2015.

**Note 2:** These three Court accounts were not under the State's FTIN at June 30, 2015.

Based solely upon outdated signature cards, millions of dollars have been transferred to or paid from these accounts. During that time, even after they had long ceased employment with the State, any of the former signatories could have withdrawn funds from these accounts. A good internal control plan and sound business practices require signature cards for accounts containing public funds to be updated in a timely manner after a designated signatory terminates employment with the State.

When signature cards for State bank accounts are not updated in a timely manner, there is an increased risk for the loss or misuse of State funds.

We recommend all State bank account signature cards be updated regularly, using the names of current officers or employees only.

**Corrections Response:** All three accounts listed for the Department of Correctional Services have had their signature cards updated.

**DHHS Response:** The full agency response is included under comment two above.

**Public Service Commission Response:** Effective October 21, 2015, the Public Service Commission has fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue. We have removed the terminated signer Steve Meradith and added the Executive Director Jeff Pursley as a signer on the account ending in XXX809 at Wells Fargo.

**State Patrol Response:** The two terminated employees are no longer listed as signers on either the Union Bank and Trust Co. account or the Wells Fargo account.

**State Treasurer Response:** The State Treasurer's Office is shown to have three accounts with outdated signature cards. The Treasurer's Office has contacted the banks for these accounts and updates have been made. On these three accounts, the Treasurer's Office had properly notified the banks of the changes in 2011, but the banks had not recorded the updates. For the First National accounts, the bank had added the new signers, but did not remove the old. The Treasurer's Office does not know why U.S. Bank showed the old signers.

***Court Offices Response:*** *The State Court Administrator's office will work with each county court listed to update their bank signature cards and create a process for updating cards upon an employee leaving the court system.*

#### **4. Agency Accounts Not Under Control of State Treasurer**

The APA identified several State agencies that are maintaining bank accounts without the prior approval of the State Treasurer to do so. According to State law, one of the duties of the State Treasurer is to establish banking relationships for the State of Nebraska. Below is a summary of the bank accounts identified by the APA as being maintained without the State Treasurer's approval.

##### ***a) Emergency/Petty Cash Accounts***

Nineteen petty cash funds at four different agencies were deposited into separate bank accounts without the prior approval of the State Treasurer. Neb. Rev. Stat. § 81-104.01 (Reissue 2014) allows an agency to have a petty cash fund with the approval of the Department of Administrative Services and the State Auditor. Similarly, Neb. Rev. Stat. § 83-914 (Reissue 2014) authorizes the Department of Corrections to create an Emergency Cash Fund at each of its correctional facilities and the Central Office.

However, per the State Accounting Manual (July 9, 2014), General Policies # 24, Petty Cash, "Petty cash funds should NOT be placed in checking accounts without specific approval from State Accounting and the State Treasurer."

Additionally, in Op. Att'y Gen. No. 15-010 (Aug. 10, 2015), the Attorney General has stated the following:

*The State Treasurer is charged with the duty of establishing the banking relationship for the State of Nebraska and its agencies. This is a statutory duty that cannot be delegated and is one of the "core functions" of the Nebraska State Treasurer.*

In that same opinion, the Attorney General concluded as follows:

*A state agency is not permitted to contract for its own banking relationship; all such relationships are established through the State Treasurer.*

The petty and emergency bank accounts set out in the table below were identified at June 30, 2015.

<b>Agency</b>	<b>Name</b>	<b>Account Name or Owner</b>	<b>Account Number</b>	<b>Balance at 6/30/2015</b>	<b>APA Notes</b>
Attorney General	Lincoln FSB of Nebraska	Attorney General	XXX005	\$250.00	Petty cash account.
Corrections	Cornerstone Bank	Department of Correctional Services - Nebraska Correctional Center for Women	XXX034	\$1,506.64	Emergency petty cash account.
Corrections	U.S. Bank	Department of Correctional Services	XXX469	\$7,007.39	Emergency petty cash account.
Corrections	Wells Fargo	Department of Correctional Services - Omaha Correctional Center - Emergency Cash	XXX459	\$1,919.93	Emergency petty cash account. Account not under State FTIN.
DHHS	First National Bank of Omaha	DHHS - Eastern Nebraska Veterans' Home	XXX383	\$2,528.08	Emergency cash account.

Agency	Name	Account Name or Owner	Account Number	Balance at 6/30/2015	APA Notes
DHHS	Pinnacle Bank	DHHS - Accounting Unit	XXX703	\$1,283.20	Petty cash for legal fees for legal unit.
DHHS	Pinnacle Bank	DHHS - Bureau of Vital Statistics	XXX633	\$963.50	Petty cash account.
DHHS	Pinnacle Bank	DHHS - Beatrice State Developmental Center - Emergency Cash	XXX260	\$1,477.79	Account for resident activities that include staff admissions, behavior management programs, and change funds for Carstens Café.
DHHS	Pinnacle Bank	DHHS	XXX038	\$1,901.72	Petty cash for legal services.
DHHS	York State Bank	DHHS - Youth Rehabilitation and Treatment Center	XXX094	\$521.50	Petty cash fund.
DHHS	U.S. Bank	DHHS - Child Support Enforcement	XXX348	\$2,038.68	Petty cash for legal services.
DHHS	U.S. Bank	DHHS - Child Support Enforcement (CSE) - Petty Cash	XXX313	\$2,325.98	Petty cash account for payment of sheriff's fees, CSE complaints, contempt's, and modifications.
DHHS	U.S. Bank	DHHS - Norfolk Veterans' Home	XXX524	\$1,548.34	Emergency cash - cash registers account.
DHHS	U.S. Bank	DHHS - Western Nebraska Veterans' Home	XXX479	\$1,705.70	Emergency cash fund.
DHHS	Wells Fargo	DHHS - Hastings Regional Center	XXX153	\$2,239.00	Emergency cash fund.
DHHS	Wells Fargo	DHHS - Veterans' Home	XXX523	\$1,901.50	Emergency cash account.
DHHS	Wells Fargo	DHHS - Norfolk Regional Center	XXX127	\$2,886.00	Emergency cash account.
DHHS	Wells Fargo	DHHS - Youth Rehabilitation and Treatment Center	XXX011	\$1,465.00	Emergency petty cash fund.
Library Commission	Wells Fargo	Library Commission - Petty Cash	XXX625	\$63.16	Petty cash account.
<b>Total Balances at June 30, 2015</b>				<b>\$35,533.11</b>	

Allowing accounts to be opened and operated under the State's FTIN without the authorization of the State Treasurer may result in loss or misuse of State funds or give rise to concerns regarding insufficient pledged collateral to secure the amount of public in excess of FDIC coverage.

We recommend the agencies identified herein work with the State Treasurer to ensure all State bank accounts are properly authorized. All bank accounts using the State's FTIN should be operated under the control or approval of the State Treasurer.

**Attorney General Response:** *We have received approval from State Treasurer Don Stenberg for our petty cash fund housed at Lincoln Federal Savings Bank.*

**Corrections Response:** *We believe these three funds were established in accordance with appropriate procedures; however, we will submit new documentation for the authorization of these funds.*

**DHHS Response:** *The full agency response is included under comment two above.*



**Library Commission Response:** *The Nebraska Library Commission is working with the Nebraska State Treasurer's Office to assure the Commission's petty cash fund operates under full compliance with statutes.*

**State Treasurer Response:** *As the Auditor notes, the State Accounting Manual states, "Petty cash funds should NOT be placed in checking accounts without specific approval from State Accounting and the State Treasurer."*

- *Letters are being sent to agencies with petty cash in bank accounts. The letters will state that this money should be held as cash, not in bank accounts, unless the State Treasurer and State Accounting approve the use of a checking account for good cause shown. The State Treasurer's approval will be conditional on a specific maximum amount of money that will be placed in the account and ongoing authorization for the State Treasurer's staff to review the account periodically to insure compliance.*

**b) Nebraska County Court and Agency Investigative Accounts**

The APA identified other bank accounts that were maintained outside of the State Treasurer's purview, including those controlled by the County Courts and investigative accounts held by both Game and Parks and the State Patrol. In these instances, it appears the agencies have some authority to have a separate account or fund, but it is questionable as to whether these accounts need also to be approved or established by the State Treasurer.

- The County Courts in Nebraska maintained over 120 different bank or investment accounts with a combined balance of over \$11 million at June 30, 2015. Currently, these accounts are not established through the State Treasurer but by each County Court under the supervision of the Nebraska Court Offices. Neb. Rev. Stat. § 25-2713 (Reissue 2008) allows for the investment of County Court funds, Neb. Rev. Stat. § 24-511 (Reissue 2008) gives the clerk certain powers including receiving and depositing money received by the court, and § 6-1540(A)(1) of the Supreme Court Rules allows the funds to be deposited into bank accounts designated by the county judges.
- Game and Parks maintains two bank accounts with a combined balance of \$5,380 at June 30, 2015. Neb. Rev. Stat. § 37-327.01 (Cum. Supp. 2014) created the Game Law Investigation Cash Fund, providing for it "shall be funded through revenue collected under the Game Law." Additionally, Title 163 NAC 1-011.01A2 of the Game and Parks rules and regulations directs money received from the Game Law Investigation Cash Fund to "be deposited in readily-available commercial accounts or held in cash, if needed, for short periods of time."
- The State Patrol maintains two bank accounts with a collective balance of \$208,313 at June 30, 2015. One account is used for investigations, and the other is used to hold evidence. Neb. Rev. Stat. § 28-429(2) (Cum. Supp. 2014) created the Nebraska State Patrol Drug Control and Education Cash Fund. Additionally, Title 272 NAC 24-004.01 of the State Patrol rules and regulations reiterates that the permissible use of the fund is "for drug education activities." As such, the State Patrol is appropriated certain funds annually for such purposes.

The County Courts, Game and Parks and the State Patrol are authorized to utilize certain statutorily created funds, which would necessarily involve opening bank accounts. Nevertheless,

as pointed out already, the Attorney General has stated in Op. Att’y Gen. No. 15-010 (Aug. 10, 2015), “A state agency is not permitted to contract for its own banking relationship.” This is because, that opinion declares, “The State Treasurer is charged with the duty of establishing the banking relationship for the State of Nebraska and its agencies.” Previously, in Op. Att’y Gen. No. 98006 (Jan. 22, 1998) the Attorney General had stated, “We are unaware, generally, of any other statutes which specifically give other state officials or state agencies the authority to deposit the state’s funds in a bank.”

Thus, the agency funds authorized by statute appear to remain subject to the State Treasurer’s authority when it comes to establishing the banking relationships necessary for the creation of the depository accounts through which they must function. Allowing accounts to be opened and operated under the State’s FTIN without the authorization of the State Treasurer may result in loss or misuse of State funds or give rise to concerns regarding insufficient pledged collateral to secure the amount of public in excess of FDIC coverage.

We recommend those agencies identified herein work with the State Treasurer to ensure any statutorily designated funds under their control are established and maintained in compliance with State law. State Treasurer’s approval should be documented and maintained on file.

***Court Offices Response:*** *The State Court Administrator’s office will work with the State Treasurer to resolve this issue.*

***Game and Parks Response:*** *We appreciate the acknowledgment that the investigative funds of the Game and Parks Commission are authorized in statute (Neb. Rev. Stat § 37-327.01) and rules and regulations (Title 163 NAC 1-011.01A2). As per statute, all activity of the accounts is reported annually to the Legislature and has been since the inception some fifteen years ago. Additionally the account balances are reported annually as part of the CAFR process (Cash and Investments Form for Listing Items not Recorded in the General Ledger).*

*We have a meeting scheduled with the State Treasurer to identify any changes that may be necessary to maintain readily accessible account(s) for investigative purposes. Due to the sensitive nature of the operations involved, assistance with the Treasurer’s office and local bank(s) will be necessary to ensure the intended investigative confidentiality is maintained. We will continue to document and maintain the integrity of these statutorily established funds.*

***State Patrol Response:*** *The State Patrol has contacted the State Treasurer’s office and is coordinating the authorization by the State Treasurer’s office of the two aforementioned accounts. The office of the Auditor of Public Accounts will be provided with a copy of that document as soon as it is finalized.*

***State Treasurer Response:***

- *My staff has met with the Nebraska Game and Parks Commission and the Nebraska State Patrol to discuss the agency investigative accounts. I will approve the use of these accounts subject to limitation on the maximum amount that may be in each account and with ongoing approval for oversight of the accounts by the Treasurer’s Office staff.*

- *My staff has met with the State Court Administrator's Office to discuss the courts' accounts. Additional discussions will be necessary to resolve these issues.*

**c) Department of Health and Human Services Bank Accounts**

In addition to those DHHS accounts mentioned above, the agency maintains a number of other bank accounts under the State's FTIN that do not appear to have been established or approved by the State Treasurer.

- DHHS utilizes four bank accounts for the Veterans' Home member trust funds. When asked to indicate the authority for these accounts, DHHS responded, "There is not a state law that authorizes or prohibits residential trust accounts." However, as legislative creations, administrative agencies have no general, inherent, or common-law powers. Rather, such agencies may exercise only those powers specifically conferred upon them by statute or constitution or by construction necessary to achieve the purpose of the enabling legislation.

The four DHHS bank accounts are summarized below.

Bank Name	Account Name or Owner	Account Number	Balance at 6/30/2015
Five Points Bank	DHHS - Grand Island Veterans' Home - Member Trust Fund	XXX963	\$327,358.47
First National Bank of Omaha	DHHS - Eastern Nebraska Veterans' Home	XXX396	\$102,082.34
U.S. Bank	DHHS - Department of Public Institutions (Western Nebraska Veterans' Homes)	XXX695	\$21,851.24
U.S. Bank	DHHS - Veterans' Home	XXX607	\$19,545.28
<b>Total Balances at June 30, 2015</b>			<b>\$470,837.33</b>

- DHHS also maintains two bank accounts for regulation purposes involving complaints against healthcare professionals and welfare fraud; however, these accounts were not reported by DHHS as accounts currently under their control or oversight as of June 30, 2015. Therefore, it is questionable as to what authority these accounts were opened under by DHHS. The two accounts are summarized below.

Bank Name	Account Name or Owner	Account Number	Balance at 6/30/2015
Nebraska State Employees Credit Union	DHHS - Regulation	XXX374	\$174.72
Nebraska State Employees Credit Union	DHHS - Regulation	XXX630	\$31.52
<b>Total Balances at June 30, 2015</b>			<b>\$206.24</b>

- Additionally, DHHS maintains a bank account containing excess child support received for State wards that is more than the foster care maintenance amount. According to DHHS, reimbursements are made from these funds to the appropriate program responsible for supervising the child's placement. It is questionable as to the authority of DHHS to have this account outside of the State Treasurer. The account is summarized below.

Bank Name	Account Name or Owner	Account Number	Balance at 6/30/2015
West Gate Bank	DHHS - State Ward Child Support	XXX990	\$1,359,665.61

- Finally, DHHS maintained certain bank accounts for the purposes of maintaining trust funds in which balances or other account information was not reported to the State Treasurer. These trust funds included bank accounts at the regional centers, the youth rehabilitation and treatment centers, and other State ward accounts.

Neb Rev. Stat. § 43-907 (Reissue 2008) allows for these trust fund assets to be deposited into certain bank accounts for those children under the charge of DHHS. Neb Rev. Stat. § 83-133 (Reissue 2014) allows for the investment of certain inmate trust funds related to those institutions under the control of DHHS. However, these funds remain subject to the State Treasurer's authority when it comes to establishing the banking relationships necessary for the creation of the depository accounts through which they must function and to ensure they are properly collateralized under the State's FTIN. The trust accounts are summarized below.

Bank Name	Account Name or Owner	Account Number	Balance at 6/30/2015	Account Location
Security First Bank	DHHS - Beatrice State Developmental Center	XXX240	\$104,292.09	Beatrice State Development Center
U.S. Bank	State of Nebraska (DHHS)	XXX122	\$65,826.47	Lincoln Regional Center
U.S. Bank	DHHS	XXX704	\$60,784.76	Ward Trust Account
U.S. Bank	DHHS	XXX407	\$45,317.26	Ward Trust Account
U.S. Bank	DHHS - Norfolk Regional Center	XXX586	\$11,036.10	Norfolk Regional Center
Wells Fargo	DHHS - Youth Rehabilitation and Treatment Center	XXX033	\$5,542.42	YRTC Kearney
Heartland Bank	DHHS - Youth Development Center Student	XXX041	\$3,115.44	YRTC Geneva
Pinnacle Bank	DHHS - Hastings Regional Center - Patient Trust Fund	XXX363	\$239.27	Hastings Regional Center
<b>Total Balances at June 30, 2015</b>			<b>\$296,153.81</b>	

In addition to the duties of the State Treasurer under § 77-2301(1) and § 77-2309, as noted above, the Attorney General has stated in Op. Att'y Gen. No. 15-010 (Aug. 10, 2015), "A state agency is not permitted to contract for its own banking relationship." This is because, that opinion declares, "The State Treasurer is charged with the duty of establishing the banking relationship for the State of Nebraska and its agencies."

Allowing accounts to be opened and operated under the State's FTIN without the authorization of the State Treasurer may result in loss or misuse of State funds or give rise to concerns regarding insufficient pledged collateral to secure the amount of public in excess of FDIC coverage.

We recommend DHHS work with the State Treasurer to ensure all of its bank accounts are properly authorized. All bank accounts using the State's FTIN should be operated under the control or approval of the State Treasurer. State Treasurer's approval should be documented and maintained on file.

***DHHS Response:*** *The full agency response is included under comment two above.*

**State Treasurer Response:** *My office has contacted DHHS, but not yet scheduled a meeting, to discuss DHHS accounts.*

## 5. State Accounts Not Utilizing State's FTIN

Through the reconciliation of State bank accounts, the APA identified 38 financial accounts that were not recorded under the State's FTIN at June 30, 2015. However, these bank accounts appear to contain State funds and should be utilizing the State's FTIN. The majority of these accounts were related to County Court bank accounts that were either under the County's FTIN or an unknown FTIN. Accounts for the Department of Corrections and the Department of Health and Human Services were under unknown FTINs.

The following is a summary of the 38 bank accounts that were not under the State's FTIN as of June 30, 2015.

Agency	Bank Name	Account Name or Owner	FTIN Owner	Account Number	Balance at 6/30/2015
Corrections	Wells Fargo	Department of Correctional Services - Omaha Correctional Center - Emergency Cash	Unknown	XXX459	\$1,919.93
DHHS	Union Bank & Trust Co.	Department of Health and Human Services - Lincoln Regional Center	Unknown (Note 1)	XXX996	\$1,124.53
Game and Parks	Union Bank & Trust Co.	Game and Parks Commission - Niobrara Council	Niobrara Council	XXX212	\$15,867.27
Court Offices	First National Bank	Dodge County Court - Judge	Dodge County	XXX094	\$320,320.72
Court Offices	First National Bank	Lincoln County Court	Unknown	XXX842	\$277,424.99
Court Offices	F&M Bank	Dakota County Court - Judge	Dakota County	XXX506	\$140,403.92
Court Offices	First National Bank	Box Butte County Court	Box Butte County Court	XXX163	\$72,887.12
Court Offices	First National Bank	Lincoln County Court - Nebraska Cooperative Republican Platte Enhancement Project Investment	Unknown	XXX135	\$53,504.04
Court Offices	Points West Community Bank	Deuel County Court	Deuel County	XXX939	\$49,712.00
Court Offices	The Carson National Bank of Auburn	Nemaha County Court	Unknown	XXX004	\$34,896.80
Court Offices	Pinnacle Bank	Polk County Court	Unknown	XXX118	\$32,110.74
Court Offices	Security Bank	Cedar County Court	Cedar County	XXX266	\$30,599.40
Court Offices	First National Bank	Brown County Court	Brown County	XXX938	\$29,340.10
Court Offices	F&M Bank	Cuming County Court	Unknown	XXX824	\$25,965.84
Court Offices	Western Nebraska Bank	Frontier County Court	Frontier County	XXX305	\$24,558.59
Court Offices	Elkhorn Valley Bank & Trust	Wayne County Court	Wayne County	XXX227	\$23,558.59
Court Offices	Charterwest National Bank	Thurston County Court	Thurston County	XXX436	\$23,331.75
Court Offices	Pinnacle Bank	Antelope County Court	Antelope County	XXX986	\$21,973.40
Court Offices	Bank of Dixon County	Dixon County Court	Dixon County	XXX713	\$20,779.99
Court Offices	Pinnacle Bank	Chase County Court	Chase County	XXX861	\$19,082.83
Court Offices	Heritage Bank	Webster County Court	Webster County	XXX568	\$18,924.64

Agency	Bank Name	Account Name or Owner	FTIN Owner	Account Number	Balance at 6/30/2015
Court Offices	Commercial Bank	Nuckolls County Court	Nuckolls County	XXX953	\$10,038.79
Court Offices	First National Bank	Valley County Court	Valley County	XXX990	\$9,378.20
Court Offices	Nebraska State Bank	Garden County Court - Judge	Garden County	XXX727	\$8,218.81
Court Offices	Farmers and Merchants State Bank	Knox County Court	Knox County	XXX070	\$7,736.06
Court Offices	Bank of Stapleton	Logan County Court	Logan County	XXX368	\$6,027.10
Court Offices	Butte State Bank	Boyd County Court	Boyd County	XXX887	\$6,024.98
Court Offices	West Plains Bank	Keya Paha County Court	Keya Paha County	XXX810	\$3,998.48
Court Offices	Security First Bank	Sioux County Court	Sioux County	XXX019	\$3,527.61
Court Offices	First National Bank	Greeley County Court	Greeley County	XXX335	\$2,727.35
Court Offices	Western Nebraska Bank	Blaine County Court	Blaine County	XXX890	\$2,712.61
Court Offices	Sandhills State Bank	Rock County Court	Rock County	XXX702	\$2,405.26
Court Offices	Bank of the West	Grant County Court	Grant County	XXX917	\$1,996.15
Court Offices	Security First Bank	Thomas County Court	Thomas County	XXX099	\$1,931.24
Court Offices	Union Bank and Trust Company	Loup County Court	Loup County	XXX045	\$1,398.91
Court Offices	First National Bank	McPherson County Court	Unknown	XXX991	\$735.75
Court Offices	First State Bank	Hooker County Court	Hooker County	XXX399	\$449.88
Court Offices	Bank of Keystone	Arthur County Court	Arthur County	XXX154	\$303.51
<b>Total Balances at June 30, 2015</b>					<b>\$1,307,897.88</b>

**Note 1:** Per the DHHS Accounting Unit Manager, a letter was sent to Union Bank & Trust on July 28, 2015, to correct the FTIN on this account.

Similar to **Comment Number 4** above, the APA also questions the authority of these bank accounts held outside of the control or approval of the State Treasurer.

The County Court Offices fall under the Nebraska Supreme Court and not under the particular County function for these bank accounts. Good internal controls require procedures to ensure State funds are correctly identified under the State's FTIN. When banks accounts are incorrectly recorded, there is an increased risk for the loss or misuse of State funds.

We recommend the Supreme Court Administrator's Office work with the respective County Courts to ensure their bank accounts are utilizing the correct FTIN. When those accounts contain State funds, the State's FTIN should be used, and the proper authorization should be obtained from the State Treasurer. State Treasurer's approval should be documented and maintained on file.

**Corrections Response:** The account referenced at the Omaha Correctional Center had the FTIN changed to the State of Nebraska FTIN in September 2015.

**DHHS Response:** The full agency response is included under comment two above.

**Game and Parks Response:** We question the appropriateness of including this account in the listing.

*The Niobrara Council is an intergovernmental cooperative body formed under the authority of statute (Neb. Rev. Stat § 72-2007) in July 2000. The Council has authority to promulgate its own rules and internal policies for carrying out the purposes of the Niobrara Scenic River Act (Neb. Rev. Stat § 72-2007). The Council has been legislatively placed under the Nebraska Game and Parks Commission for administrative purposes only. As a quasi-governmental entity with an established 501(c)(3) status, the Council has its own FTIN and does not utilize the State's FTIN.*

*A Cooperative Agreement exists between the Council and the Game and Parks Commission related to administration of the funds legislatively appropriated to the Council. Input on the agreement was provided by representatives of State Accounting, State Attorney General Office, Legislative Fiscal Office, Governor's Budget Office, and the Council's Legal representative. The agreement specifies that funds would be transferred to the Council and they shall be held in a federally insured bank account until dispersed to appropriate parties. The funds within the Council's bank account are the result of documented expenses reimbursed from the state and federal funds appropriated. The account balance is reported annually as part of the CAFR process (Cash and Investments Form for Listing Items not Recorded in the General Ledger).*

**APA Response:** We agree that the Council enjoys certain powers under State law and may even utilize its own FTIN. Nevertheless, the Attorney General has opined "money of the State" involves "monies which are generated by the operation of general state law such as state fees and state taxes." Op. Att'y Gen. No. I-12002 (Feb. 1, 2012). That being the case, the funds at issue certainly appear to be State funds, regardless of the nature of the Council. This is supported further by the fact that the funds legislatively appropriated for the Council are reported for CAFR purposes. Given that the Treasurer is authorized by statute both to hold State funds and to establish any banking relationships for the State, it seems apparent that the disposition of the money in question should be controlled by or, at least, subject to the approval of the Treasurer.

**Court Offices Response:** *The State Court Administrator's office will work with each county court listed to change their bank account FTIN to the State's.*

**State Treasurer Response:**

- *My office has discussed with the Nebraska Department of Correctional Services and the Nebraska Game and Parks Commission that these accounts should show the State's FTIN.*
- *My office has met with the State Court Administrator to discuss courts' accounts. The State Court Administrator is directing county courts to change the FTINs on their accounts to the State FTIN.*
- *My office has contacted DHHS, but not yet scheduled a meeting, to discuss DHHS accounts.*

**6. Account Balances Reported By DHHS**

As previously mentioned, the APA requested all agencies to report their financial accounts and respective bank account balances at June 30, 2015. As a result, the APA identified five DHHS accounts for which the balances did not agree to the bank confirmation received. The DHHS Accounting Cost Manager was unsure why the balances did not match.



Bank Name	Account Name or Owner	Account Number	Bank Balance at 6/30/2015	DHHS Balance	Variance
Wells Fargo	DHHS - Youth Rehabilitation and Treatment Center	XXX033	\$5,542.42	<b>\$3,878.40</b>	\$1,664.02
U.S. Bank	DHHS - Child Support Enforcement - Petty Cash	XXX313	\$2,325.98	<b>\$1,977.00</b>	\$348.98
U.S. Bank	DHHS - Child Support Enforcement	XXX348	\$2,038.68	<b>\$545.36</b>	\$1,493.32
Pinnacle Bank	DHHS	XXX038	\$1,901.72	<b>\$1,551.95</b>	\$349.77
Pinnacle Bank	DHHS - Accounting Unit	XXX703	\$1,283.20	<b>\$993.95</b>	\$289.25
<b>Total Balances at June 30, 2015</b>			<b>\$13,092.00</b>	<b>\$8,946.66</b>	<b>\$4,145.34</b>

When agency account balances do not agree to the account information maintained by the banks, there is an increased risk for the loss or misuse of State funds. That risk is heightened considerably when such accounts are not operated under the authority and oversight of the State Treasurer.

We recommend DHHS ensure bank balances are reported correctly to avoid loss or misuse of State funds.

***DHHS Response:*** *The full agency response is included under comment two above.*

***State Treasurer Response:*** *I agree with the Auditor's recommendation that DHHS insure that bank balances are correctly reported.*

\* \* \* \* \*

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 agencies and their 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 agencies.

This interim communication is intended solely for the information and use of these agencies, the Governor and State Legislature, and others within these agencies. It is not intended to be, and should not be, used by anyone other than the specified parties. However, this letter is a matter of public record, and its distribution is not limited.

If you have any questions regarding the above information, please contact our office.

Sincerely,



Charlie Janssen  
Auditor of Public Accounts

MANAGEMENT LETTER  
FIRST STATE BANK CONFIRMATION – LINCOLN, NE  
FYE JUNE 30, 2015

ATTACHMENT A

07-16-15 15:31 FROM- FBS-Operations

4024216496

T-173 P0002/0010 F-780

**CONFIRMATION FORM TO REQUEST ACCOUNT(S) AND  
BALANCE INFORMATION UTILIZING THE STATE OF NEBRASKA  
FEDERAL TAX IDENTIFICATION NUMBER (FTIN)**

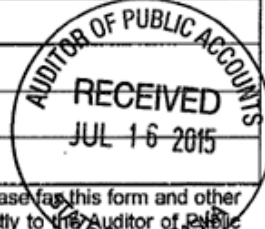
**Nebraska State Treasurer, Don Stenberg**  
**FTIN - 47-0491233**

First State Bank Nebraska  
4915 Old Cheney Road  
Lincoln, NE 68516

We would appreciate the following information as of the close of business on June 30, 2015 regarding deposit balances for bank accounts utilizing the State of Nebraska FTIN 47-0491233.

1. At the close of business on June 30, 2015, our records indicated the following account and deposit balances(s):

Account Name or Owner	Routing Number	Account Number	Balance at June 30, 2015
State of Nebraska Saline County Court			59,449.45
State of Nebraska Dept. of Admin. Services			505.33
State of Nebraska Johnson Investment			125,078.48



For any bank account listed, please provide a copy of the authorizing signature card. Please fax this form and other documentation to (402) 471-3301 or use the enclosed envelope to return the form directly to the Auditor of Public Accounts. If your bank has the ability to print a list of accounts with the requested information, that list can be attached in place of filling in the account information above. Attach additional pages for listing accounts as needed.

The account information presented above is in agreement with our records.

Mike Neff  
(Financial Institution Authorized Signature)

7-16-15  
(Date)

VP Cashier  
(Title)

Don Stenberg  
(Customer's Authorized Signature)

July 8, 2015  
(Date)

Don Stenberg, Nebraska State Treasurer  
(Title)

**EXCEPTIONS AND/OR COMMENTS**

Please return this form directly to our accountants:

Auditor of Public Accounts  
State Capitol, Room 2303  
Lincoln, Nebraska 68509

MANAGEMENT LETTER  
FIRST STATE BANK CONFIRMATION – WILBER, NE  
FYE JUNE 30, 2015

**ATTACHMENT B**

**STANDARD FORM TO CONFIRM ACCOUNT  
BALANCE INFORMATION WITH FINANCIAL INSTITUTIONS**

**Saline County Court  
CUSTOMER NAME**

First State Bank  
203 W 3<sup>rd</sup> Street  
Wilber, NE 68465

We have provided to our accountants the following information as of the close of business on June 30, 2015, regarding our deposit and loan balances. Please confirm the accuracy of the information noting any exceptions to the information provided. If the balances have been left blank, please complete this form by furnishing the balance in the appropriate space below.\* Although we do not request nor expect you to conduct a comprehensive, detailed search of your records, if during the process of completing this confirmation additional information about other deposit and loan accounts we may have with you comes to your attention, please include such information below. Please use the enclosed envelope to return the form directly to our accountants.

1. At the close of business on the date listed above, our records indicated the following deposit balances(s):

Account Name	Account Number	Interest Rate	Balance*
Saline County Court		.05%	\$74,949.45
Johnson Investment		.20%	125512.01

2. We were directly liable to the financial institution for loans at the close of business on the date listed above as follows:

Account No./ Description	Balance*	Date Due	Interest Rate	Date Through Which Interest is Paid	Description of Collateral
None	N/A	N/A	N/A	N/A	N/A

x *Joshua K. McDowell*  
(Customer's Authorized Signature)

x 7-1-15  
(Date)

The information presented above by the customer is in agreement with our records. Although we have not conducted a comprehensive, detailed search of our records, no other deposit or loan accounts have come to our attention except as noted below.

*Kim Morden*  
(Financial Institution Authorized Signature)

7-2-15  
(Date)

Customer Service  
(Title)

**EXCEPTIONS AND/OR COMMENTS**

Please return this form directly to our accountants:

Auditor of Public Accounts  
P.O. Box 98917  
Lincoln, Nebraska 68509-8917

\*Ordinarily, balances are intentionally left blank if they are not available at the time the form is prepared.  
BANK.DOC

6/30/15

MANAGEMENT LETTER EXHIBIT A  
**BANK ACCOUNTS UNDER THE STATE FTIN PER CONFIRMATIONS**  
FYE JUNE 30, 2015

Controlling Agency	Name	Account Name or Owner	Account Number	Balance at 6/30/2015
Attorney General	Lincoln FSB of Nebraska	Attorney General	XXX005	\$250.00
Corrections	U.S. Bank	Department of Correctional Services	XXX750	\$135,549.16
Corrections	U.S. Bank	Department of Correctional Services	XXX469	\$7,007.39
Corrections	Cornerstone Bank	Department of Correctional Services - Nebraska Correctional Center for Women	XXX034	\$1,506.64
Corrections	U.S. Bank	Community Corrections Center - Lincoln - Employee Activity	XXX433	\$1,182.52
Corrections	U.S. Bank	Department of Correctional Services - Nebraska Community Inmate	XXX661	\$0.00
Court Offices	First National Bank of Omaha	Douglas County Court - City of Omaha	XXX722	\$2,192,911.45
Court Offices	U.S. Bank	Lancaster County Court	XXX854	\$1,401,805.08
Court Offices	Pinnacle Bank	Sarpy County Court	XXX637	\$635,642.90
Court Offices	Pinnacle Bank	Sarpy County Court	XXX310	\$595,822.02
Court Offices	Farmers and Merchants Bank	Buffalo County Court - Case 13-2335	XXX074	\$379,574.43
Court Offices	Wells Fargo	Hall County Court	XXX423	\$336,146.13
Court Offices	Farmers and Merchants Bank	Buffalo County Court - Judge	XXX536	\$328,516.68
Court Offices	First National Bank	Lincoln County Court - Hershey Land Co.	XXX254	\$266,439.41
Court Offices	Valley Bank and Trust Co.	Scotts Bluff County Court	XXX583	\$266,315.17
Court Offices	Wells Fargo	Adams County Court	XXX220	\$207,899.39
Court Offices	Washington County Bank	Washington County Court	XXX005	\$194,037.16
Court Offices	First National Bank of Omaha	Platte County Court	XXX872	\$153,248.17
Court Offices	Madison County Bank	Madison County Court	XXX236	\$147,351.34
Court Offices	Great Western Bank	Dawson County Court	XXX785	\$139,603.87
Court Offices	U.S. Bank	Lancaster County Court	XXX325	\$129,401.98
Court Offices	Pinnacle Bank	Keith County Court	XXX304	\$126,533.99
Court Offices	First State Bank Nebraska	Saline County Court - Johnson Investment	XXX089	\$125,078.48
Court Offices	Washington County Bank	Washington County Court	XXX520	\$121,560.55
Court Offices	Plattsmouth State Bank	Cass County Court	XXX970	\$115,267.66
Court Offices	Arbor Bank	Otoe County Court	XXX472	\$106,789.34
Court Offices	Wells Fargo	Hall County Court	XXX905	\$105,272.39
Court Offices	U.S. Bank	Lancaster County Court	XXX701	\$104,360.13
Court Offices	Cornerstone Bank	York County Court	XXX992	\$86,269.34
Court Offices	Wahoo State Bank	Saunders County Court	XXX595	\$86,052.46
Court Offices	Farmers and Merchants Bank	Buffalo County Court - Case 14-893	XXX152	\$85,728.79
Court Offices	Pinnacle Bank	Gage County Court	XXX040	\$78,273.02
Court Offices	U.S. Bank	Lancaster County Court	XXX317	\$76,329.79
Court Offices	The Jones National Bank and Trust Company of Seward	Seward County Court	XXX034	\$72,561.59
Court Offices	Horizon Bank	Red Willow County Court	XXX256	\$72,285.49
Court Offices	First National Bank	Lincoln County Court - Prairie Estates Ins.	XXX129	\$69,238.76
Court Offices	Security First Bank	Cheyenne County Court	XXX359	\$68,959.93
Court Offices	The First State Bank	Phelps County Court - Judge	XXX670	\$68,234.00
Court Offices	Pinnacle Bank	Merrick County Court	XXX768	\$60,870.86
Court Offices	First State Bank Nebraska	Saline County Court	XXX939	\$59,449.45
Court Offices	Arbor Bank	Otoe County Court	XXX275	\$58,288.96
Court Offices	Pinnacle Bank	Colfax County Court	XXX567	\$55,946.43
Court Offices	Bank of the Valley	Butler County Court	XXX123	\$53,939.69
Court Offices	Security First Bank	Cherry County Court	XXX186	\$47,619.92
Court Offices	Heritage Bank	Hamilton County Court	XXX595	\$44,589.01
Court Offices	Pinnacle Bank	Sarpy County Court	XXX599	\$40,671.27
Court Offices	First National Bank of Chadron	Dawes County Court	XXX178	\$39,966.39



MANAGEMENT LETTER  
**BANK ACCOUNTS UNDER THE STATE FTIN PER CONFIRMATIONS**  
 FYE JUNE 30, 2015

**EXHIBIT A**

Controlling Agency	Name	Account Name or Owner	Account Number	Balance at 6/30/2015
Court Offices	Nebraska State Bank and Trust Company	Custer County Court	XXX502	\$39,153.62
Court Offices	Homestead Bank	Howard County Court	XXX379	\$39,085.13
Court Offices	Thayer County Bank	Thayer County Court	XXX702	\$37,125.29
Court Offices	Heartland Bank	Fillmore County Court	XXX193	\$36,485.11
Court Offices	The First National Bank of Gordon	Sheridan County Court	XXX775	\$35,428.33
Court Offices	First Nebraska Bank	Stanton County Court	XXX586	\$31,843.62
Court Offices	Points West Community Bank	Kimball County Court	XXX557	\$30,798.60
Court Offices	First National Bank Northeast	Burt County Court	XXX310	\$30,404.33
Court Offices	Cornerstone Bank	Clay County Court	XXX218	\$27,744.56
Court Offices	Pinnacle Bank	Holt County Court	XXX010	\$27,485.25
Court Offices	American National Bank	Johnson County Court	XXX734	\$26,431.39
Court Offices	Bank of the West	Morrill County Court	XXX210	\$26,261.17
Court Offices	Wells Fargo	Hall County Court	XXX913	\$20,938.39
Court Offices	First State Bank	Harlan County Court	XXX610	\$20,256.49
Court Offices	The First National Bank of Fairbury	Jefferson County Court - Judge	XXX417	\$19,806.09
Court Offices	Banner Capital Bank	Furnas County Court	XXX812	\$19,726.25
Court Offices	Minden Exchange Bank & Trust Company	Kearney County Court	XXX466	\$17,803.50
Court Offices	Madison County Bank	Boone County Court	XXX258	\$15,236.81
Court Offices	Midwest Bank National Association	Pierce County Court	XXX387	\$14,396.54
Court Offices	Wells Fargo	Adams County Court	XXX299	\$12,858.58
Court Offices	Security First Bank	Gosper County Court	XXX628	\$11,907.75
Court Offices	Community First Bank	Hitchcock County Court	XXX419	\$11,284.73
Court Offices	First Bank and Trust of Fullerton	Nance County Court - Judge	XXX397	\$10,930.54
Court Offices	Union Bank and Trust Company	Pawnee County Court	XXX573	\$10,788.63
Court Offices	Valley Bank and Trust Co.	Banner County Court	XXX854	\$10,574.69
Court Offices	Amfirst Bank, National Association	Dundy County Court	XXX135	\$8,810.05
Court Offices	Pinnacle Bank	Perkins County Court	XXX672	\$7,327.51
Court Offices	Heritage Bank	Hamilton County Court	XXX570	\$7,012.35
Court Offices	Arbor Bank	Nebraska County Court Association	XXX080	\$6,971.19
Court Offices	Franklin State Bank	Franklin County Court	XXX807	\$6,929.92
Court Offices	Great Western Bank	Garfield County Court	XXX141	\$6,316.50
Court Offices	U.S. Bank	Lancaster County Court	XXX942	\$6,034.98
Court Offices	Heritage Bank	Sherman County Court	XXX989	\$5,308.48
Court Offices	Amfirst Bank, National Association	Dundy County Court	XXX684	\$5,146.02
Court Offices	Heritage Bank	Sherman County Court	XXX804	\$3,551.68
Court Offices	Cornerstone Bank	Wheeler County Court	XXX353	\$3,117.00
Court Offices	Amfirst Bank, National Association	Hayes County Court	XXX140	\$2,478.24
Court Offices	Pinnacle Bank	Merrick County Court	XXX520	\$2,076.96
Court Offices	Pinnacle Bank	Merrick County Court	XXX518	\$2,073.01
Court Offices	U.S. Bank	Lancaster County Court	XXX948	\$2,013.89
Court Offices	Arbor Bank	Nebraska County Court Association - Lobbyist Account	XXX486	\$1,672.29

MANAGEMENT LETTER  
**BANK ACCOUNTS UNDER THE STATE FTIN PER CONFIRMATIONS**  
 FYE JUNE 30, 2015

**EXHIBIT A**

Controlling Agency	Name	Account Name or Owner	Account Number	Balance at 6/30/2015
Court Offices	Wells Fargo	Adams County Court	XXX186	\$1,171.78
Court Offices	U.S. Bank	Lancaster County Court	XXX797	\$1,000.00
Court Offices	U.S. Bank	Lancaster County Court	XXX682	\$758.66
Court Offices	Heritage Bank	Sherman County Court	XXX004	\$53.19
Court Offices	U.S. Bank	Thurston County Court	XXX488	\$0.00
Department of Labor	U.S. Bank	Department of Labor	XXX590	\$0.00
DHHS	West Gate Bank	DHHS - State Ward Child Support	XXX990	\$1,359,665.61
DHHS	Five Points Bank	DHHS - Grand Island Veterans' Home - Member Trust Fund	XXX963	\$327,358.47
DHHS	Security First Bank	DHHS - Beatrice State Developmental Center	XXX240	\$104,292.09
DHHS	First National Bank of Omaha	DHHS - Eastern Nebraska Veterans' Home	XXX396	\$102,082.34
DHHS	U.S. Bank	State of Nebraska (DHHS)	XXX122	\$65,826.47
DHHS	U.S. Bank	DHHS	XXX704	\$60,784.76
DHHS	U.S. Bank	DHHS	XXX407	\$45,317.26
DHHS	U.S. Bank	DHHS - Department of Public Institutions (Western Nebraska Veterans' Homes)	XXX695	\$21,851.24
DHHS	U.S. Bank	DHHS - Veterans' Home	XXX607	\$19,545.28
DHHS	U.S. Bank	DHHS - Norfolk Regional Center	XXX586	\$11,036.10
DHHS	Wells Fargo	DHHS - Youth Rehabilitation and Treatment Center	XXX033	\$5,542.42
DHHS	Heartland Bank	DHHS - Youth Development Center Student	XXX041	\$3,115.44
DHHS	Wells Fargo	DHHS - Norfolk Regional Center	XXX127	\$2,886.00
DHHS	First National Bank of Omaha	DHHS - Eastern Nebraska Veterans' Home	XXX383	\$2,528.08
DHHS	U.S. Bank	DHHS - Child Support Enforcement - Petty Cash	XXX313	\$2,325.98
DHHS	Wells Fargo	DHHS - Hastings Regional Center	XXX153	\$2,239.00
DHHS	U.S. Bank	DHHS - Child Support Enforcement	XXX348	\$2,038.68
DHHS	Pinnacle Bank	DHHS	XXX038	\$1,901.72
DHHS	Wells Fargo	DHHS - Veterans' Home	XXX523	\$1,901.50
DHHS	U.S. Bank	DHHS - Western Nebraska Veterans' Home	XXX479	\$1,705.70
DHHS	U.S. Bank	DHHS - Norfolk Veterans' Home	XXX524	\$1,548.34
DHHS	Pinnacle Bank	DHHS - Beatrice State Developmental Center - Emergency Cash	XXX260	\$1,477.79
DHHS	Wells Fargo	DHHS - Youth Rehabilitation and Treatment Center	XXX011	\$1,465.00
DHHS	Pinnacle Bank	DHHS - Accounting Unit	XXX703	\$1,283.20
DHHS	Pinnacle Bank	DHHS - Bureau of Vital Statistics	XXX633	\$963.50
DHHS	Pinnacle Bank	Social Services - Courtesy Club	XXX563	\$531.36
DHHS	York State Bank	DHHS - Youth Rehabilitation and Treatment Center	XXX094	\$521.50
DHHS	Exchange Bank	State of Nebraska WKEA	XXX050	\$413.34
DHHS	Pinnacle Bank	DHHS - Bridges Program Residents	XXX252	\$377.00
DHHS	Home Federal Savings and Loan Association of Grand Island	DHHS - Adoption Day	XXX485	\$276.29
DHHS	Pinnacle Bank	DHHS - Hastings Regional Center - Patient Trust Fund	XXX363	\$239.27

MANAGEMENT LETTER  
**BANK ACCOUNTS UNDER THE STATE FTIN PER CONFIRMATIONS**  
 FYE JUNE 30, 2015

**EXHIBIT A**

Controlling Agency	Name	Account Name or Owner	Account Number	Balance at 6/30/2015
DHHS	Nebraska State Employees Credit Union	DHHS - Regulation	XXX374	\$174.72
DHHS	Exchange Bank	State of Nebraska SCATA	XXX039	\$119.06
DHHS	Nebraska State Employees Credit Union	DHHS - Regulation	XXX630	\$31.52
DHHS	U.S. Bank	DHHS	XXX423	\$0.00
DHHS	U.S. Bank	DHHS	XXX290	\$0.00
DHHS	U.S. Bank	DHHS - Western Nebraska Veterans' Home	XXX487	\$0.00
Game and Parks	First State Bank	Game & Parks Commission	XXX625	\$3,042.40
Game and Parks	Equitable Bank	Game & Parks Commission	XXX042	\$2,337.14
Investment Council	NebraskaLand National Bank	Investment Council	XXX878	\$6,000,047.67
Investment Council	Nebraska State Bank	State of Nebraska (Investment Council)	XXX002	\$2,000,000.00
Investment Council	Cornerstone Bank	State Treasurer	XXX432	\$1,000,416.67
Investment Council	Gothenburg State Bank	State of Nebraska (Investment Council)	XXX655	\$1,000,391.69
Investment Council	Access Bank	State Treasurer	XXX465	\$1,000,000.00
Investment Council	Ashton State Bank	Investment Council	XXX101	\$1,000,000.00
Investment Council	Bank of Bennington	Investment Council	XXX349	\$1,000,000.00
Investment Council	Banner Capital Bank	Investment Council		\$1,000,000.00
Investment Council	Clarkson Bank	Investment Council	XXX240	\$1,000,000.00
Investment Council	Exchange Bank	Investment Council	XXX400	\$1,000,000.00
Investment Council	First State Bank	Investment Council	XXX904	\$1,000,000.00
Investment Council	Frontier Bank	State of Nebraska (Investment Council)	XXX560	\$1,000,000.00
Investment Council	Heartland Bank	Investment Council	XXX719	\$1,000,000.00
Investment Council	Henderson State Bank	Investment Council	XXX518	\$1,000,000.00
Investment Council	Points West Community Bank	Investment Council	XXX401	\$1,000,000.00
Investment Council	Security Bank	State Treasurer	XXX993	\$1,000,000.00
Investment Council	Security State Bank	Investment Council	XXX000	\$1,000,000.00
Investment Council	Town & Country Bank	State Treasurer	XXX100	\$1,000,000.00
Investment Council	Valley Bank and Trust Co.	Investment Council	XXX867	\$1,000,000.00
Investment Council	Winside State Bank	State of Nebraska (Investment Council)	XXX002	\$1,000,000.00



MANAGEMENT LETTER  
**BANK ACCOUNTS UNDER THE STATE FTIN PER CONFIRMATIONS**  
 FYE JUNE 30, 2015

**EXHIBIT A**

Controlling Agency	Name	Account Name or Owner	Account Number	Balance at 6/30/2015
Investment Council	Custer Federal State Bank	State of Nebraska (Investment Council)	XXX548	\$500,000.00
Investment Council	First Bank & Trust Company	Investment Council	XXX698	\$500,000.00
Investment Council	First Bank and Trust of Fullerton	State of Nebraska (Investment Council)	XXX387	\$500,000.00
Investment Council	First Nebraska Bank	Investment Council	XXX233	\$500,000.00
Investment Council	FirsTier Bank	Investment Council	XXX010	\$500,000.00
Investment Council	Generations Bank	State Treasurer	XXX071	\$500,000.00
Investment Council	Heritage Bank	Investment Council	XXX655	\$500,000.00
Investment Council	Heritage Bank	Investment Council	XXX254	\$500,000.00
Investment Council	Jefferson County Bank	Investment Council		\$500,000.00
Investment Council	McCook National Bank	State of Nebraska (Investment Council)	XXX455	\$500,000.00
Investment Council	Pathway Bank	Investment Council	XXX999	\$500,000.00
Investment Council	Tecumseh Federal Bank	Investment Council	XXX009	\$500,000.00
Investment Council	The Fullerton National Bank	Investment Council	XXX002	\$500,000.00
Investment Council	Great Western Bank	State of Nebraska (Investment Council)	XXX467	\$500,000.00
Investment Council	Great Western Bank	State of Nebraska (Investment Council)	XXX234	\$500,000.00
Investment Council	The First State Bank	State of Nebraska (Investment Council)	XXX536	\$500,000.00
Investment Council	Brunswick State Bank	Investment Council	XXX991	\$400,000.00
Investment Council	Western National Bank	State Treasurer	XXX001	\$400,000.00
Investment Council	American Interstate Bank	State of Nebraska (Investment Council)	XXX317	\$300,000.00
Investment Council	Bank of Lindsay	Investment Council		\$300,000.00
Investment Council	Cass County Bank, Inc.	Investment Council	XXX999	\$300,000.00
Investment Council	Farmers State Bank	Investment Council	XXX003	\$300,000.00
Investment Council	Foundation One Bank	Investment Council	XXX016	\$300,000.00
Investment Council	Butte State Bank	Investment Council	XXX201	\$200,000.00
Investment Council	Ericson State Bank	Investment Council	XXX150	\$200,000.00
Investment Council	Farmers and Merchants Bank	State of Nebraska (Investment Council)	XXX001	\$200,000.00

MANAGEMENT LETTER  
**BANK ACCOUNTS UNDER THE STATE FTIN PER CONFIRMATIONS**  
FYE JUNE 30, 2015

**EXHIBIT A**

Controlling Agency	Name	Account Name or Owner	Account Number	Balance at 6/30/2015
Investment Council	First State Bank	State of Nebraska (Investment Council)	XXX602	\$200,000.00
Investment Council	Genoa Community Bank	State of Nebraska (Investment Council)	XXX949	\$200,000.00
Investment Council	Nebraska Bank of Commerce	Investment Council	XXX053	\$200,000.00
Investment Council	Bank of Nebraska	State Treasurer	XXX000	\$100,041.67
Investment Council	Adams County Bank	State of Nebraska (Investment Council)	XXX541	\$100,000.00
Investment Council	Adams State Bank	State Treasurer	XXX004	\$100,000.00
Investment Council	Bank of Dixon County	State of Nebraska (Investment Council)	XXX920	\$100,000.00
Investment Council	Bank of Keystone	Investment Council	XXX001	\$100,000.00
Investment Council	Citizens State Bank	State of Nebraska (Investment Council)	XXX988	\$100,000.00
Investment Council	F&M Bank	Investment Council	XXX115	\$100,000.00
Investment Council	First Bank and Trust Company	Investment Council		\$100,000.00
Investment Council	First Westroads Bank, Inc.	State of Nebraska (Investment Council)	XXX020	\$100,000.00
Investment Council	Foundation One Bank	Investment Council	XXX507	\$100,000.00
Investment Council	Genoa Community Bank	State of Nebraska (Investment Council)	XXX274	\$100,000.00
Investment Council	Lincoln FSB of Nebraska	Investment Council		\$100,000.00
Investment Council	Pender State Bank	Investment Council	XXX200	\$100,000.00
Investment Council	South Central State Bank	Investment Council	XXX100	\$100,000.00
Investment Council	South Central State Bank	Investment Council	XXX672	\$100,000.00
Investment Council	The First National Bank of Gordon	State of Nebraska (Investment Council)	XXX057	\$100,000.00
Investment Council	Stockmens Bank	State of Nebraska (Investment Council)	XXX090	\$100,000.00
Investment Council	Pinnacle Bank	Investment Council	XXX926	\$0.00
Investment Council	U.S. Bank	Nebraska Investment Council Global Aggregate	XXX879	\$0.00
Investment Council	U.S. Bank	Investment Council	XXX369	\$0.00
Investment Council	U.S. Bank	Investment Council	XXX498	\$0.00
Investment Council	U.S. Bank	Investment Council	XXX752	\$0.00
Investment Council	U.S. Bank	Investment Council	XXX760	\$0.00

MANAGEMENT LETTER **EXHIBIT A**  
**BANK ACCOUNTS UNDER THE STATE FTIN PER CONFIRMATIONS**  
FYE JUNE 30, 2015

Controlling Agency	Name	Account Name or Owner	Account Number	Balance at 6/30/2015
Library Commission	Wells Fargo	Library Commission - Petty Cash	XXX625	\$63.16
Military	Security First Bank	Military Department - Headquarters Operations	XXX262	\$43,235.67
Nebraska Public Employees Retirement System	U.S. Bank	State of Nebraska - Retirement System	XXX862	\$0.00
Nebraska Public Employees Retirement System	U.S. Bank	State of Nebraska - Retirement System	XXX739	\$0.00
Nebraska Public Employees Retirement System	U.S. Bank	State of Nebraska - Retirement System	XXX949	\$0.00
Nebraska Public Employees Retirement System	U.S. Bank	State of Nebraska - Retirement System	XXX790	\$0.00
Nebraska Energy Office	South Central State Bank	Nebraska Energy Office - Remittance	XXX921	\$1,934.37
Nebraska Energy Office	Security State Bank	Nebraska Energy Office	XXX339	\$0.00
Oil and Gas Commission	Security First Bank	Oil & Gas Conservation Commission - Smith Oil Properties	XXX614	\$25,000.00
Oil and Gas Commission	Points West Community Bank	Oil & Gas Conservation Commission - John H Chain IRV Trust	XXX734	\$10,000.00
Oil and Gas Commission	Richardson County Bank & Trust Company	Oil & Gas Conservation Commission	XXX139	\$10,000.00
Oil and Gas Commission	Richardson County Bank & Trust Company	Oil & Gas Conservation Commission	XXX160	\$10,000.00
Oil and Gas Commission	Richardson County Bank & Trust Company	Oil & Gas Conservation Commission	XXX162	\$10,000.00
Oil and Gas Commission	Valley Bank and Trust Co.	Oil & Gas Conservation Commission	XXX414	\$6,405.56
Public Service Commission	Wells Fargo	Public Service Commission	XXX809	\$156,015.60
Roads	NebraskaLand National Bank	Department of Roads	XXX186	\$163.96
State Colleges	Elkhorn Valley Bank & Trust	Wayne Education Office Personnel Association	XXX915	\$105.99
State Patrol	Union Bank and Trust Company	Nebraska State Patrol	XXX253	\$196,174.94
State Patrol	Wells Fargo	Nebraska State Patrol	XXX610	\$12,137.94
State Patrol	U.S. Bank	Nebraska State Patrol	XXX593	\$0.00
State Treasurer	U.S. Bank	State Treasurer	XXX576	\$21,538,940.04
State Treasurer	First National Bank of Omaha	State Treasurer	XXX801	\$20,936,670.24
State Treasurer	Wells Fargo	State Treasurer	XXX852	\$5,423,511.52
State Treasurer	U.S. Bank	State Treasurer	XXX585	\$3,508,242.24
State Treasurer	U.S. Bank	State Treasurer	XXX766	\$2,995,360.21
State Treasurer	Union Bank and Trust Company	State of Nebraska (State Treasurer)	XXX969	\$1,060,675.63

MANAGEMENT LETTER **EXHIBIT A**  
**BANK ACCOUNTS UNDER THE STATE FTIN PER CONFIRMATIONS**  
FYE JUNE 30, 2015

Controlling Agency	Name	Account Name or Owner	Account Number	Balance at 6/30/2015
State Treasurer	Pinnacle Bank	State Treasurer	XXX249	\$791,436.50
State Treasurer	Bank of the West	State Treasurer	XXX021	\$453,585.71
State Treasurer	First National Bank of Omaha	State Treasurer	XXX044	\$382,805.15
State Treasurer	Core Bank	State of Nebraska (State Treasurer) - Eugene T Mahoney State Park	XXX360	\$246,578.15
State Treasurer	Great Western Bank	State Treasurer	XXX600	\$172,955.61
State Treasurer	Security First Bank	State Treasurer	XXX817	\$110,061.58
State Treasurer	Farmers Bank of Cook	State Treasurer	XXX151	\$78,952.59
State Treasurer	Elkhorn Valley Bank & Trust	State Treasurer	XXX218	\$50,177.42
State Treasurer	Farmers and Merchants State Bank, Bloomfield, Nebraska	State Treasurer	XXX470	\$47,550.02
State Treasurer	Bank of Dixon County	State Treasurer	XXX158	\$27,443.04
State Treasurer	Midwest Bank National Association	State Treasurer	XXX365	\$14,565.29
State Treasurer	Washington County Bank	State Treasurer	XXX248	\$10,148.41
State Treasurer	Valley Bank and Trust Co.	State Treasurer - Chimney Rock Visitor Center	XXX522	\$7,675.48
State Treasurer	Exchange Bank	State of Nebraska (State Treasurer)	XXX291	\$7,242.50
State Treasurer	The First National Bank of Fairbury	State Treasurer - Rock Creek Station	XXX878	\$7,002.84
State Treasurer	Heritage Bank	State Treasurer	XXX838	\$6,360.40
State Treasurer	Sandhills State Bank	State Treasurer	XXX669	\$5,353.56
State Treasurer	Butte State Bank	State Treasurer	XXX834	\$5,059.41
State Treasurer	Great Southern Bank	State Treasurer	XXX112	\$4,552.79
State Treasurer	Heartland Bank	State Treasurer	XXX256	\$4,282.83
State Treasurer	Bank of Lewellen	State Treasurer	XXX273	\$3,874.89
State Treasurer	Cornerstone Bank	State Treasurer	XXX042	\$1,268.00
State Treasurer	Commercial Bank	State Treasurer	XXX947	\$1,173.25
State Treasurer	Bruning State Bank	State Treasurer	XXX437	\$635.00
State Treasurer	Amfirst Bank, National Association	State Treasurer	XXX350	\$605.00
State Treasurer	Nebraska State Bank	State of Nebraska (State Treasurer)	XXX204	\$531.66
State Treasurer	First State Bank	State Treasurer	XXX870	\$520.00
State Treasurer	First State Bank Nebraska	Department of Administrative Services	XXX184	\$505.33
State Treasurer	Western Nebraska Bank	State Treasurer	XXX176	\$488.60
State Treasurer	FirsTier Bank	State Treasurer	XXX039	\$455.00
State Treasurer	Banner Capital Bank	State Treasurer	XXX084	\$420.00
State Treasurer	Minden Exchange Bank & Trust Company	State Treasurer	XXX347	\$400.00
State Treasurer	First Nebraska Bank	State of Nebraska (State Treasurer)	XXX370	\$323.27
State Treasurer	Pender State Bank	State Treasurer UNL Extension Office - Thurston County	XXX052	\$275.00
State Treasurer	Stanton State Bank	State Treasurer	XXX604	\$265.00
State Treasurer	The Fullerton National Bank	State Treasurer	XXX811	\$256.29
State Treasurer	First National Bank of Omaha	State Treasurer	XXX057	\$0.00
State Treasurer	First National Bank of Omaha	State Treasurer	XXX090	\$0.00
State Treasurer	First National Bank of Omaha	State Treasurer	XXX937	\$0.00
State Treasurer	First Nebraska Bank	State of Nebraska	XXX333	\$0.00
State Treasurer	U.S. Bank	State of Nebraska - Payroll	XXX599	\$0.00
State Treasurer	U.S. Bank	State of Nebraska - Temporary Liquidation	XXX683	\$0.00
State Treasurer	U.S. Bank	State Treasurer	XXX882	\$0.00

MANAGEMENT LETTER **EXHIBIT A**  
**BANK ACCOUNTS UNDER THE STATE FTIN PER CONFIRMATIONS**  
FYE JUNE 30, 2015

Controlling Agency	Name	Account Name or Owner	Account Number	Balance at 6/30/2015
State Treasurer	U.S. Bank	State Treasurer	XXX189	\$0.00
State Treasurer	U.S. Bank	State Treasurer	XXX921	\$0.00
State Treasurer	U.S. Bank	State Treasurer	XXX939	\$0.00
State Treasurer	U.S. Bank	State Treasurer	XXX947	\$0.00
State Treasurer	U.S. Bank	State Treasurer	XXX936	\$0.00
University of Nebraska	Metro Health Services Credit Union	Sun Apta PT Education	XXX484	\$8,102.49
University of Nebraska	Metro Health Services Credit Union	TED Courtesy Fund	XXX816	\$2,105.72
University of Nebraska	Security National Bank of Omaha	University of Nebraska - Omaha Collegiate - Music Teachers	XXX669	\$525.78
University of Nebraska	Wells Fargo	University of Nebraska Medical Center - CON Kearney Dir	XXX229	\$455.34
Workers Compensation	U.S. Bank	Workers Compensation	XXX863	\$0.00
N/A	Commercial State Bank	The Handyman Company	XXX680	\$3,924.52
N/A	Bank of Keystone	Arthur County 4-H Savings	XXX180	\$3,571.47
N/A	U.S. Bank	The Armor Club	XXX563	\$3,476.37
N/A	Cornerstone Bank	Clay County Investigation Team	XXX461	\$1,709.58
N/A	First State Bank	Panhandle Regional Network Development Group	XXX665	\$1,346.76
N/A	Pinnacle Bank	National Guard Armory - Unit Welfare & Operations	XXX088	\$1,296.52
N/A	Nebraska State Employees Credit Union	NDDL - Courtesy Community Fund	XXX620	\$787.60
N/A	Bank of Keystone	Arthur County 4-H Council	XXX507	\$561.05
N/A	U.S. Bank	Omaha Garrison Concession Fund	XXX683	\$500.00
N/A	U.S. Bank	Omaha Garrison Concession Fund	XXX055	\$459.63
N/A	Columbus Bank and Trust Company	1075th Transportation Co.	XXX928	\$227.53
N/A	Nebraska State Employees Credit Union	NDDL - Courtesy Community Fund	XXX674	\$160.11
N/A	First Nebraska Educators and Employ Credit Union	First Nebraska Educators C.U.	XXX612	\$102.96
N/A	Union Bank and Trust Company	Penterman Armory	XXX442	\$66.21
N/A	U.S. Bank	754 Chemical Operations Fund	XXX684	\$7.09
N/A	U.S. Bank	City of Lincoln	XXX676	\$0.00
N/A	U.S. Bank	Omaha Public Schools	XXX423	\$0.00
N/A	U.S. Bank	754 Chemical Operations Fund	XXX210	\$0.00
<b>Total Balances at June 30, 2015</b>				<b>\$109,994,380.31</b>