

**ATTESTATION REPORT
OF THE
NEBRASKA DEPARTMENT OF AGRICULTURE
JANUARY 1, 2014, THROUGH DECEMBER 31, 2014**

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Issued on August 31, 2015

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NEBRASKA DEPARTMENT OF AGRICULTURE

TABLE OF CONTENTS

	<u>Page</u>
Background Information Section	
Background	1 - 2
Organizational Chart	3
Comments Section	
Exit Conference	4
Summary of Comments	5
Comments and Recommendations	6 - 34
Financial Section	
Independent Accountant's Report	35 - 36
Schedule of Revenues, Expenditures, and Changes in Fund Balances	37 - 40
Notes to the Schedule	41 - 47
Supplementary Information	48
Expenditures and Appropriations	
For the Fiscal Years Ended June 30, 2012, through 2015	49
Samples Analyzed - By Lab	
For the Fiscal Years Ended June 30, 2012, through 2015	50
Food Safety and Consumer Protection Statistics	
For the Fiscal Years Ended June 30, 2012, through 2015	51
Animal and Plant Health Statistics	
For the Fiscal Years Ended June 30, 2012, through 2015	52

NEBRASKA DEPARTMENT OF AGRICULTURE

BACKGROUND

The Department of Agriculture (NDA) was created in 1919 to operate various regulatory programs to protect the livestock and crop production industries in Nebraska. The NDA's purpose is to regulate industries, as prescribed by statute, and to encourage and promote the interest of agriculture through advocacy and education. The NDA is organized into four focus areas: Shared Services, Food Safety and Consumer Protection, Animal and Plant Health Protection, and Agriculture Promotion and Safety.

The following is a brief description of the NDA's four focus areas:

SHARED SERVICES

The Shared Services focus area provides overall supervision and guidance for the NDA, including legal advice and assistance. This focus area also provides financial and technical fiscal support for the agency. Additionally, agricultural laboratory functions are budgeted in this focus area. The mission of the laboratory is to support agency activities by providing accurate and timely testing of samples. In providing these testing services to agency staff and others, the laboratory furthers the NDA's role of regulating industries and helps to ensure the public health and economic well-being by protecting against illness, disease, and economic fraud.

FOOD SAFETY AND CONSUMER PROTECTION

The Food Safety and Consumer Protection focus area provides inspections to assist in ensuring the sanitation levels, as well as the ultimate wholesomeness, of the State's food supply. The Food Program is responsible for inspections of restaurants, taverns, bakeries, grocery stores, meat markets, bottling plants, and other establishments involved with the production, distribution, or sale of food products. The Milk Program performs sanitation inspections at dairy farms and at facilities that process, handle, package, or sell milk products. The Weights and Measures Program protects the buyer and seller in all commercial transactions where the quantity is determined by weight, measure, or count through the registration and inspection of devices, verification of the net contents of packaged goods, and verification of advertised prices with database pricing.

ANIMAL AND PLANT HEALTH PROTECTION

The Animal Health program monitors the importation of animals into the State, conducts disease surveillance, and educates producers regarding disease prevention. The following livestock diseases are a focus of the program: avian influenza, trichomoniasis, brucellosis, pseudorabies, bovine spongiform encephalopathy, and swine enteric coronavirus disease. The program also operates the Commercial Dog and Cat Inspection functions. Plant Health program functions include the following: plant certification and inspection, feed, fertilizer and agricultural lime regulation, plant pest inspection and prevention, noxious weed prevention, and the operation of the Buffer Strip Incentive program.

NEBRASKA DEPARTMENT OF AGRICULTURE

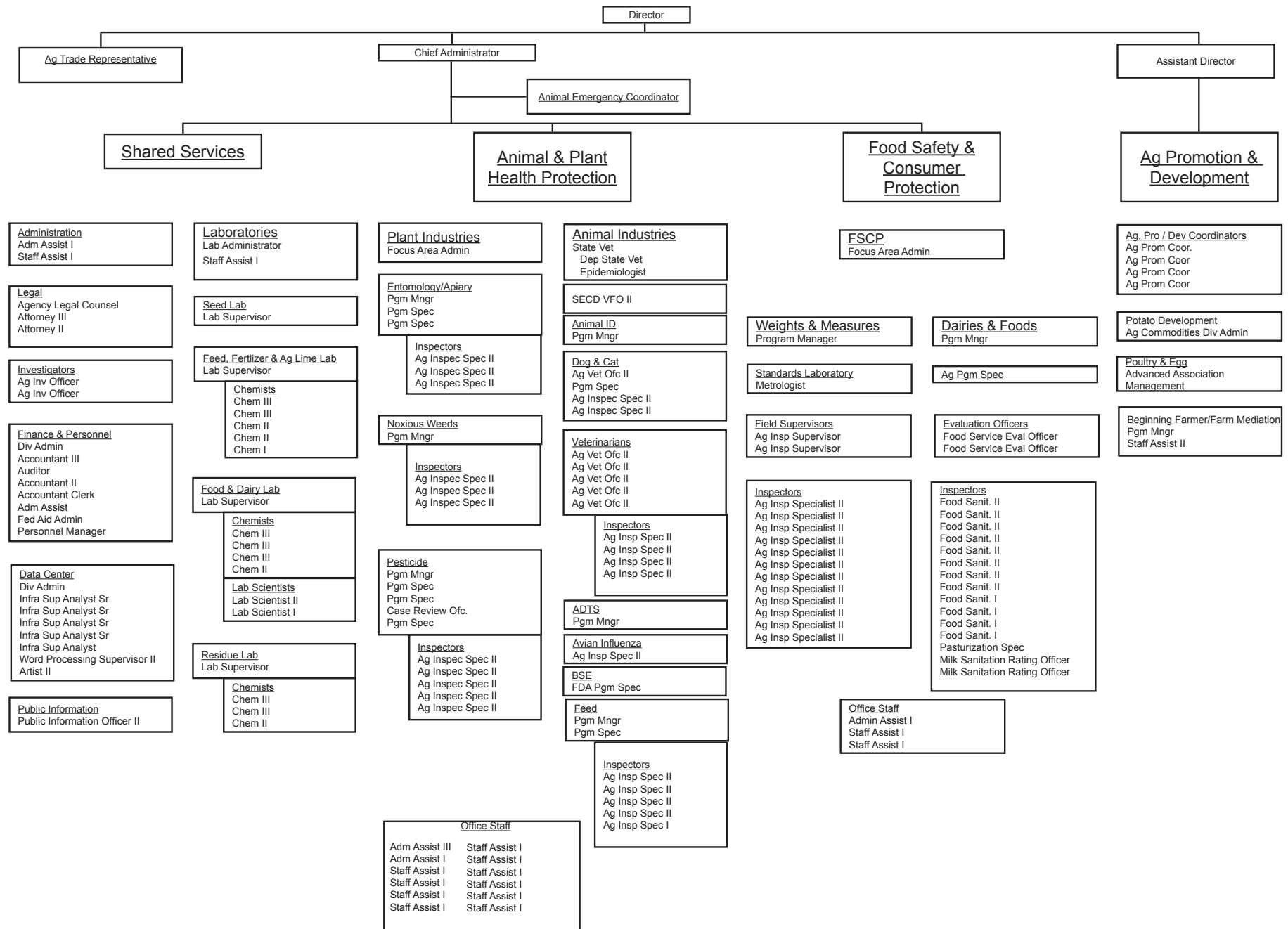
BACKGROUND

(Concluded)

AGRICULTURE PROMOTION AND DEVELOPMENT/OPERATIONS

The Agriculture Promotion and Development focus area identifies and develops opportunities to enhance the profitability of agriculture through promotion and education, development of export markets, and consumer education. In addition, the farm mediation, beginning farmer, poultry and egg development, potato development, grape and wine development, aquaculture, market news, and livestock-friendly county programs are all housed under this focus area.

NEBRASKA DEPARTMENT OF AGRICULTURE ORGANIZATIONAL CHART



NEBRASKA DEPARTMENT OF AGRICULTURE

EXIT CONFERENCE

An exit conference was held August 11, 2015, with the Nebraska Department of Agriculture (NDA) to discuss the results of our examination. Those in attendance for the NDA were:

NAME	TITLE
Greg Ibach	Director
Tom Jensen	Chief Administrator
Robert Storant	Administrator – Finance and Personnel

NEBRASKA DEPARTMENT OF AGRICULTURE

SUMMARY OF COMMENTS

During our examination of the Nebraska Department of Agriculture (NDA), we noted certain deficiencies and other operational matters that are presented here.

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

1. ***Inspections:*** Inspections of food establishments, food processing plants, salvage operations, and weighing and measuring devices were not always done timely in accordance with State statutes.
2. ***Allocation of Expenditures and Payroll Costs:*** Allocation of expenditures and payroll costs between programs and funds were not documented.
3. ***Timesheet Approvals and Process:*** Employee timesheets did not always have documented evidence of supervisory approval, and the NDA's timesheet and approval process seemed overly complicated.
4. ***Payroll Charges Not in Accordance With A-87 or Other Federal Requirements:*** The NDA did not maintain adequate documentation to support Federal charges for employees.
5. ***Adequate Timesheets for Exempt Employees:*** For the period ending October 5, 2014, 17 of 38 salaried exempt employees did not have timesheets that reflected a 40-hour workweek, as required by State statute.
6. ***Fines and Penalties:*** Fines and penalties were not always distributed in accordance with Article VII, Section 5, of the Nebraska State Constitution.
7. ***State Bank Accounts:*** Two NDA bank accounts were not established with the approval of the State Treasurer, as required by State statute. In addition, those accounts lacked adequate pledged security, as also required by State statute.
8. ***Internal Control Over Capital Assets and Other Electronic Equipment:*** The NDA lacked adequate internal control over its capital assets and other electronic equipment.
9. ***Internal Control Over Receipts:*** The NDA lacked adequate internal control over receipts.

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

Draft copies of this report were furnished to the NDA to provide its management with an opportunity to review and to respond to the comments and recommendations contained herein. All formal responses received have been incorporated into this report. Where no response has been included, the NDA declined to respond. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next examination.

NEBRASKA DEPARTMENT OF AGRICULTURE

COMMENTS AND RECOMMENDATIONS

1. Inspections

Inspections of Food Establishments, Food Processing Plants, and Salvage Operations

The Nebraska Department of Agriculture (NDA) has the statutory authority and responsibility to perform inspections of food establishments, food processing plants, and salvage operations. This authority and responsibility is outlined in the following State statutes.

Neb. Rev. Stat. § 81-2,239(1) (Reissue 2014) states the following:

Sections 81-2,239 to 81-2,292 and the provisions of the Food Code, the Food Salvage Code, and the Current Good Manufacturing Practice In Manufacturing, Packing, or Holding Human Food adopted by reference in sections 81-2,257.01 to 81-2,259, shall be known and may be cited as the Nebraska Pure Food Act.

Neb. Rev. Stat. § 81-2,281(1) (Reissue 2014) provides, in relevant part, the following:

(1) The department shall enforce the Nebraska Pure Food Act. The department may contract with any political subdivision or state agency it deems qualified to conduct any or all regulatory functions authorized pursuant to the act except those functions relating to the issuance, suspension, or revocation of permits or any order of probation.

(2) It shall be the responsibility of the regulatory authority to inspect food establishments and food processing plants as often as required by the act. An inspection of a salvage operation shall be performed at least once every three hundred sixty-five days of operation. Additional inspections shall be performed as often as is necessary for the efficient and effective enforcement of the act.

Neb. Rev. Stat. § 81-2,288.02 (Reissue 2014) says the following:

The regulatory authority may increase the interval between inspections beyond six months if the food establishment is assigned a less frequent inspection frequency based on a written risk-based inspection schedule that is being uniformly applied throughout the jurisdiction.

As permitted by § 81-2,288.02, the NDA has established intervals between inspections beyond six months. The NDA “Food Safety Regulatory Inspection Program for Sanitarians – Inspector Manual” (July 2014) contains the following inspection schedules:

- **Low-Risk Level:** The inspection frequency for low-risk level facilities is every 18-24 months. These establishments handle only pre-packaged foods, including potentially hazardous foods, and no food preparation (other than heating pre-packaged foods) is done on the premises. They may also handle only bulk foods, such as bakery products and candy.
- **Medium-Risk Level:** The inspection frequency for medium-risk level facilities is every 12 months. These establishments conduct limited food preparation activities, such as cook-to-order service, “fast food” restaurants, and/or places that normally do not hold food for over four hours.

NEBRASKA DEPARTMENT OF AGRICULTURE

COMMENTS AND RECOMMENDATIONS
(Continued)

1. **Inspections** (Continued)

- **High-Risk Level:** The inspection frequency for high-risk level facilities is every six months. Included are food establishments that prepare and/or serve potentially hazardous food in individual or family-sized portions. Such preparation includes, but is not limited to, cooking, mixing, chopping, cutting, freezing, or otherwise changing the food. Also included are food/manufacturing establishments that prepare multi-ingredient items, cool, store (usually for more than four hours), and reheat foods for service at a later time.

The following statutes define the facilities being inspected.

Neb. Rev. Stat. § 81-2,245.01 (Reissue 2014) defines a “food establishment” as follows:

Food establishment shall mean an operation that stores, prepares, packages, serves, sells, vends, or otherwise provides food for human consumption. The term does not include:

(1) An establishment or vending machine operation that offers only prepackaged soft drinks, carbonated or noncarbonated; canned or bottled fruit and vegetable juices; prepackaged ice; candy; chewing gum; potato or corn chips; pretzels; cheese puffs and curls; crackers; popped popcorn; nuts and edible seeds; and cookies, cakes, pies, and other pastries, that are not potentially hazardous foods;

(2) A produce stand that only offers whole, uncut fresh fruits and vegetables;

(3) A food processing plant;

(4) A salvage operation;

(5) A private home where food is prepared or served for personal use, a small day care in the home, or a hunting lodge, guest ranch, or other operation where no more than ten paying guests eat meals in the home;

(6) A private home or other area where food that is not potentially hazardous food is prepared: (a) For sale or service at a religious, charitable, or fraternal organization's bake sale or similar function; or (b) for sale directly to the consumer at a farmers market if the consumer is informed by a clearly visible placard at the sale location that the food was prepared in a kitchen that is not subject to regulation and inspection by the regulatory authority;

(7) A private home or other area where food is prepared for distribution at a fundraising event for a charitable purpose if the consumer is informed by a clearly visible placard at the serving location that the food was prepared in a kitchen that is not subject to regulation and inspection by the regulatory authority. This subdivision does not apply to a caterer or other establishment providing food for the event if the caterer or establishment receives compensation for providing the food;

(8) The location where food prepared by a caterer is served so long as the caterer only minimally handles the food at the serving location;

NEBRASKA DEPARTMENT OF AGRICULTURE

COMMENTS AND RECOMMENDATIONS
(Continued)

1. Inspections (Continued)

(9) Educational institutions, health care facilities, nursing homes, and governmental organizations which are inspected by a state agency or a political subdivision other than the regulatory authority for sanitation in the food preparation areas;

(10) A pharmacy as defined in section 71-425 if the pharmacy only sells prepackaged pharmaceutical, medicinal, or health supplement foods that are not potentially hazardous or foods described in subdivision (1) of this section; and

(11) An establishment which is not a commercial food establishment and which sells only commercially packaged foods that are not potentially hazardous foods.

Neb. Rev. Stat. § 81-2,246.01 (Reissue 2014) defines a “food processing plant” as follows:

Food processing plant shall mean a commercial operation that manufactures, packages, labels, or stores food for human consumption and does not provide food directly to the consumer.

Neb. Rev. Stat. § 81-2,253.01 (Reissue 2014) defines a “salvage operation” as follows:

Salvage operation shall mean an operation which reconditions, sells, distributes, brokers, or otherwise supplies any distressed or salvaged food.

Per § 81-2,281(1), as set out above, the NDA contracts with three political subdivisions to conduct all regulatory functions – except those “relating to the issuance, suspension, or revocation of permits or any order of probation” – as authorized under the Nebraska Pure Food Act (Act), which is set out primarily at Neb. Rev. Stat. §§ 81-2,239 to 81-2,292 (Reissue 2014). The three political subdivisions are:

- Douglas County, acting through the Douglas County Health Department
- City of Lincoln, acting through the Lincoln/Lancaster County Health Department
- Central District Health Department

The purpose of the NDA’s agreements with the political subdivisions is to create a cooperative program of inspection and regulation of food establishments, food processing plants, and salvage operations. The agreements require the political subdivisions to inspect and regulate, in conformance with the Act, the above facilities located within the geographic area over which the political subdivisions have jurisdiction. The geographic area covered by Douglas County is the county proper. For the City of Lincoln, the geographic area covered is Lancaster County, except for food establishments on State property, including, but not limited to, the University of Nebraska and any State buildings. Finally, the Central District Health Department covers Hall County.

NEBRASKA DEPARTMENT OF AGRICULTURE

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Inspections** (Continued)

Despite contracting with the political subdivisions to inspect and regulate the specified facilities within their respective jurisdictions, the NDA remains responsible for ensuring that the inspections and regulatory functions are performed in accordance with the Act. To meet this responsibility, the NDA requires, among other things, the political subdivisions to report information obtained from the inspections that they perform. In addition, the NDA has a policy of evaluating the contractors' retail food protection programs every four years. This policy operates as an informal addendum of sorts to the contracts with the political subdivisions. Per our review of this policy requirement, the NDA did evaluate the three health departments within the last four years, and those evaluations included a sample of inspection timeliness.

Based upon the NDA records, however, we noted that the inspections performed by the agency, as well as and those carried out by the political subdivisions under contract with the NDA, involving food establishments, food processing plants, and salvage operations alike, were not performed timely in accordance with either the Act or the NDA's own "Food Safety Regulatory Inspection Program for Sanitarians – Inspector Manual" (July 2014) (Inspector Manual).

The following information, as illustrated by the accompanying tables, summarizes the number of days inspections were overdue, based upon the respective intervals during which they were to be performed.

Inspections Performed by the NDA

Per the agency's own records, the table below reflects the status of NDA inspections, as of June 8, 2015, for food establishments, food processing plants, and salvage operations. As of April 29, 2015, the date of the most current information available, 6,135 food facilities were subject to inspection by the NDA. As reflected in the table below, the inspections of 1,882 facilities were overdue by varying degrees. Thus, approximately 31% of the facilities were not inspected timely in accordance with either the Act or the Inspector Manual, and 142 of the overdue inspections were late by one to two years.

The NDA's records revealed also that timely inspections were not performed on newly licensed facilities. The NDA considers inspections performed within 30 days of licensure to be timely. Nevertheless, 94 newly licensed facilities had not been inspected as of June 8, 2015. The inspections of these facilities were overdue by 31 to 1,063 days.

NEBRASKA DEPARTMENT OF AGRICULTURE

COMMENTS AND RECOMMENDATIONS

(Continued)

1. Inspections (Continued)

Overdue	180 Day Inspection Interval	365 Day Inspection Interval	18 Month (545 day) Inspection Interval	Follow-up Inspections 14 Day Interval	Total
0 to 30 Days	215	93	2	9	319
31 to 60 Days	153	93	4	2	252
61 to 90 Days	195	62	3	2	262
91 to 180 Days	296	116	8	2	422
181 to 360 Days	272	127	7	2	408
12 to 24 Months	80	58	4	-	142
24 to 36 Months	13	36	-	-	49
36 to 48 Months	7	12	-	-	19
48 to 60 months	1	8	-	-	9
Total Overdue	<u>1,232</u>	<u>605</u>	<u>28</u>	<u>17</u>	<u>1,882</u>

Overdue Inspections of:

Food Establishments	1,224	552	24	17	1,817
Food Processing Plants	8	52	3	-	63
Salvage Operations	-	1	1	-	2
Total	<u>1,232</u>	<u>605</u>	<u>28</u>	<u>17</u>	<u>1,882</u>

Inspections Performed by Douglas County, Acting Through the Douglas County Health Department

Per NDA records, the table below reflects the status, as of June 8, 2015, of Douglas County's inspections, through the Douglas County Health Department, of food establishments, food processing plants, and salvage operations. As of June 15, 2015, 2,456 such facilities were subject to inspection by Douglas County. As revealed in the table below, 1,362 of those facility inspections were overdue. Thus, approximately 55% of the facilities were not inspected timely in accordance with either the Act or the Inspector Manual, and 84 of those inspections were one to two years late.

NDA records revealed also that inspections of newly licensed facilities were not timely. The NDA considers inspections performed within 30 days of licensure to be timely. As of June 8, 2015, however, 128 newly licensed facilities had yet to be inspected. These inspections were overdue by 36 to 9,646 days.

NEBRASKA DEPARTMENT OF AGRICULTURE

COMMENTS AND RECOMMENDATIONS

(Continued)

1. Inspections (Continued)

Overdue	180 Day Inspection Interval	365 Day Inspection Interval	Follow-up Inspections 14 day Interval	Total
0 to 30 Days	201	8	8	217
31 to 60 Days	162	7	10	179
61 to 90 Days	169	4	17	190
91 to 180 Days	355	7	18	380
181 to 360 Days	261	6	30	297
12 to 24 Months	71	6	7	84
24 to 36 Months	9	-	1	10
36 to 48 Months	2	-	-	2
48 to 60 months	1	2	-	3
Total Overdue	1,231	40	91	1,362
Overdue Inspections of:				
Food Establishments	1,214	40	91	1,345
Food Processing Plants	17	-	-	17
Salvage Operations	-	-	-	-
Total	1,231	40	91	1,362

Inspections Performed by the City of Lincoln, Acting Through the Lincoln/Lancaster County Health Department

Per NDA records, the table below reflects the status, as of June 8, 2015, of the City of Lincoln's inspections, through the Lincoln/Lancaster County Health Department, of food establishments, food processing plants, and salvage operations. As of June 15, 2015, 1,370 food facilities were subject to inspection by the City of Lincoln. As revealed in the table below, 356 of those facility inspections were overdue. Thus, approximately 26% of the facilities were not inspected timely in accordance with either the Act or the Inspector Manual. The NDA's records show also that 58 of those overdue facility inspections were late by one to two years.

NDA records revealed also that inspections of newly licensed facilities were not timely. The NDA considers inspections performed within 30 days of licensure to be timely. Nevertheless, 93 newly licensed facilities had yet to be inspected as of June 8, 2015. These overdue inspections were 32 to 5,871 days late.

NEBRASKA DEPARTMENT OF AGRICULTURE

COMMENTS AND RECOMMENDATIONS

(Continued)

1. Inspections (Continued)

Overdue	180 Day Inspection Interval	365 Day Inspection Interval	18 Months (545 day) Inspection Interval	Follow-up Inspections 14 day Interval	Total
0 to 30 Days	86	22	-	-	108
31 to 60 Days	10	5	-	1	16
61 to 90 Days	16	8	-	2	26
91 to 180 Days	17	8	-	19	44
181 to 360 Days	8	16	-	5	29
12 to 24 Months	18	39	-	1	58
24 to 36 Months	48	18	-	1	67
36 to 48 Months	1	5	-	-	6
48 to 60 months	1	1	-	-	2
Total Overdue	205	122	-	29	356

Overdue Inspections of:

Food Establishments	205	109	-	29	343
Food Processing Plants	-	13	-	-	13
Salvage Operations	-	-	-	-	-
Total	205	122	-	29	356

Inspections Performed by the Central District Health Department in Hall County

Per NDA records, the table below reflects the status, as of June 8, 2015, of the Central District Health Department's inspections of food establishments, food processing plants, and salvage operations in Hall County. As of June 15, 2015, 444 food facilities were subject to inspection by the Central District Health Department. As revealed in the table below, 175 of those facility inspections were overdue. Thus, approximately 39% of the facilities were not inspected timely in accordance with either the Act or the Inspector Manual. The NDA's records show also that 18 of those overdue facility inspections were late by one to two years.

NDA records revealed also that inspections of newly licensed facilities were not timely. The NDA considers inspections performed within 30 days of licensure to be timely. Nevertheless, 59 newly licensed facilities had yet to be inspected as of June 8, 2015. These overdue inspections were 32 to 7,173 days late.

NEBRASKA DEPARTMENT OF AGRICULTURE

COMMENTS AND RECOMMENDATIONS

(Continued)

1. Inspections (Continued)

Overdue	180 Day Inspection Interval	365 Day Inspection Interval	18 Months (545 day) Inspection Interval	Follow-up Inspections 14 day Interval	Total
0 to 30 Days	31	4	-	-	35
31 to 60 Days	15	2	-	2	19
61 to 90 Days	4	-	-	-	4
91 to 180 Days	18	-	-	2	20
181 to 360 Days	14	2	-	3	19
12 to 24 Months	11	7	-	-	18
24 to 36 Months	29	10	-	-	39
36 to 48 Months	6	1	1	1	9
48 to 60 months	6	5	-	1	12
Total Overdue	<u>134</u>	<u>31</u>	<u>1</u>	<u>9</u>	<u>175</u>

Overdue Inspections of:

Food Establishments	132	31	1	9	173
Food Processing Plants	2	-	-	-	2
Salvage Operations	-	-	-	-	-
Total	<u>134</u>	<u>31</u>	<u>1</u>	<u>9</u>	<u>175</u>

Failure to perform timely inspections of food establishments, food processing plants, and salvage operations in accordance with the Act and the Inspector Manual gives rise to concerns regarding not only apparent noncompliance with statutory or administrative requirements but also a greater health risk to the public.

We recommend the NDA take steps to inspect food establishments, food processing plants, and salvage operations timely in accordance with the Act and the Inspector Manual. We also recommend the NDA improve its monitoring procedures for inspections performed under contract by Douglas County, the City of Lincoln, and Hall County, ensuring that facilities within the respective jurisdictions of those political subdivisions are inspected timely in compliance with the Act and the Inspector Manual.

Department's Response: Conducting food establishment inspections within the required statutory frequency intervals is a priority to NDA. During the audit period there was approximately one-third of the field staff that were relatively new or positions NDA was in the

NEBRASKA DEPARTMENT OF AGRICULTURE

COMMENTS AND RECOMMENDATIONS (Continued)

1. **Inspections** (Continued)

process of hiring due to retirements and resignations. Also, due to retirements, resignations and terminations, NDA experienced turnover in management and office support staff. This resulted in lost productivity and errors in our record keeping system. Current management is aware of the deficiencies found and have instituted actions so NDA can be in compliance with the statutes. NDA is also working with the local health departments under contract to make sure the inspection records are accurately recorded and they are in compliance as well.

Inspections of Weighing and Measuring Devices

The Weights and Measures Focus Area (Focus Area) protects the integrity of commercial measurements through certification of weighing and measuring equipment, evaluations of net quantity and pricing representations of packaged commodities, and ensuring that marketing practices provide the ability to make price and quantity comparisons. The Focus Area performs annual inspections of commercial weighing and measuring devices, which Neb. Rev. Stat. § 89-183(3) (Reissue 2014) defines as follows:

Commercial weighing and measuring device means any weights and measures or weighing and measuring device used or employed in commerce in (a) establishing the size, quantity, extent, area, or measurement of any commodity sold, offered, or submitted for hire, (b) computing any basic charge or payment for services rendered on the basis of weight, measure, or count, or (c) establishing eligibility for any award. A commercial weighing and measuring device also includes any accessory attached to or used in connection with a commercial weighing or measuring device when such accessory is so designed or installed that its operation affects or may affect the accuracy of the device[.]

The above definition includes devices ranging from railroad weigh scales to supermarket point of sale scales and meters used to measure bulk deliveries of refined fuels, such as liquefied petroleum gases, to pumps at service stations and convenience stores.

Neb. Rev. Stat. § 89-187(9) (Reissue 2014) requires the Director of Agriculture (Director) to inspect commercial weighing and measuring devices annually. Under that statute, the Director must do the following:

Inspect and test annually and from time to time, as in the director's judgment seems necessary, to ascertain whether commercial weighing and measuring devices are correct[.]

NDA records revealed that inspections of weighing and measuring devices were not always done annually, as required by § 89-187(9).

Per NDA records, the table below reflects the status of weighing and measuring device inspections as of July 20, 2015. As of July 24, 2015, 38,358 such devices were subject to inspection by the NDA. As revealed in the table below, 5,356 of those device inspections were overdue. Thus, approximately 14% of the devices were not inspected timely in accordance with § 89-187(9). The NDA's records show also that 770 of those overdue weighing and measuring device inspections were late by one to two years.

NEBRASKA DEPARTMENT OF AGRICULTURE

COMMENTS AND RECOMMENDATIONS
(Continued)

1. Inspections (Concluded)

NDA records revealed also that inspections of newly licensed weighing and measuring devices were not timely. The NDA considers inspections performed within 30 days of licensure to be timely. Nevertheless, 261 newly licensed devices had yet to be inspected as of June 8, 2015. These overdue inspections were 5 to 330 days late.

Overdue	365 Day Inspection Interval
0 to 30 Days	1,232
31 to 60 Days	676
61 to 90 Days	245
91 to 180 Days	927
181 to 360 Days	1,293
12 to 24 Months	770
24 to 36 Months	84
36 to 48 Months	45
48 to 60 months	9
6 to 10 years	44
11 to 23 years	31
Total Overdue	<u>5,356</u>

Failure to perform timely inspections of weighing and measuring devices in conformance with § 89-187(9) gives rise to concerns regarding not only apparent noncompliance with State statute but also a greater risk that such devices will be incorrect, resulting in an increased potential for fraud against the public.

We recommend the NDA take steps to ensure that weighing and measuring devices are inspected annually, as required by § 89-187(9).

Department's Response: Conducting weighing and measuring device inspections on an annual basis is a priority to NDA. Resignations and terminations affected over one-third of the field staff during the audit period. A newly hired inspector requires a minimum of six months of initial training before they perform inspections independently. Also, approximately 1,110 inspections hours were lost due to equipment failure. This was addressed to the executive branch and legislature during the 2015 legislative session. This program, part of the Food Safety and Consumer Protection Focus Area, also experienced a turnover of management and office support staff. NDA has reviewed staffing needs under the new focus area concept and will continue addressing these needs.

NEBRASKA DEPARTMENT OF AGRICULTURE

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Allocation of Expenditures and Payroll Costs

Good internal control requires documentation to ensure that the allocation of expenditures and payroll costs is adequately supported. Various Nebraska Department of Agriculture (NDA) funds have specific State and Federal usage requirements to which they must adhere.

During our evaluation, we noted the following:

- For 6 of 10 employees tested, payroll costs were allocated between multiple programs and funds, but the NDA lacked adequate documentation to support the percentages used to allocate those costs.
- For 1 of 11 travel documents tested, expenditures were allocated between the NDA's weight and measures cash fund and the general fund, but the NDA lacked adequate documentation to support the percentages used to allocate those expenditures.
- For 1 of 28 expenditure documents tested, the expenditure was allocated between the NDA's pure food cash fund and the general fund, but the NDA lacked adequate documentation to support the percentages used to allocate the expenditure.

The Legislature appropriates funds to the NDA as an "umbrella" appropriation – meaning that one lump sum is appropriated to the NDA, which then determines the proper funding splits. Only one NDA employee is responsible for deciding the funding splits. That employee explained that he reviews the allocations during the annual budget period. Utilizing the Employee Reporting System reports and other relevant documentation, the employee determines at that time whether any adjustments to the funding splits are necessary. However, this singular review is not documented; likewise, it is not examined by anyone else.

According to that same employee, as legislation for new funds or programs are considered over the years, legislators, industry groups and leaders, citizens, and NDA staff all become involved in determining various fee levels and, consequently, any subsequent funding splits. Therefore, any splits originally determined should not change drastically unless new legislation or circumstances arise. The employee said also that altering the funding splits could have serious ramifications. For example, if he were to change one split, making a particular fund more cash funded than general funded, certain fees would have to be increased substantially in order to have enough money in the cash fund to pay for those added expenses, and the citizens and industry groups most affected would likely voice their displeasure in no uncertain terms.

Without adequate documentation to support the allocation of expenditures and payroll costs between programs and funds, there is an increased risk that such allocations may be incorrect. This may also result in noncompliance with legislative restrictions or State and Federal requirements. A similar finding was included in our previous two NDA audit reports.

NEBRASKA DEPARTMENT OF AGRICULTURE

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Allocation of Expenditures and Payroll Costs** (Concluded)

We recommend the NDA have adequate support for any methods used to allocate expenditures and payroll costs to multiple programs and funds. One option would be to document the following: 1) all of the allocation decisions, recording them on a spreadsheet; and 2) the preparation and approval of that completed record. Another option would be to create a narrative, detailing the reasons for the allocations to each fund or program. Screen shots or excerpts from the Employee Reporting System and other expenditure reports could be attached to the narrative to help explain the allocations. These options are not mutually exclusive; a combination of the two may be preferable.

Department's Response: NDA understands the importance of documentation, but limited resources has not allowed for this to occur. The details in the biennium budget provide guidance on the allocation process used. Since the legislature appropriates funds to one umbrella program it is up to NDA to allocate the appropriation with accountability shown at the sub-program level.

3. **Timesheet Approvals and Process**

Good internal control requires all employee timesheets to be approved by a supervisor and that review to be documented. Good internal control also requires the entering of timesheet information into the State Accounting System, EnterpriseOne – doing so in a way that involves as few people and steps as possible.

Three of ten Nebraska Department of Agriculture (NDA) timesheets tested lacked documented evidence of supervisory approval. Without such a review, errors may be made in the amounts paid to employees. These specific timesheets had no designated space for documenting supervisory approval.

Additionally, the NDA's timesheet and approval process seems overly complicated. Some timesheets are paper, and others are electronic documents in Excel or Access. The paper timesheets look different depending on the focus area. Some of the paper timesheets are input into Access by various office staff; others are input into the NDA's Employee Reporting System (ERS). The timesheets in Excel and Access must be uploaded into the ERS each pay period by information technology staff. Once all of the timesheet data is in the ERS, information technology staff must then export it to Excel. After making any necessary minor changes, payroll staff import that data to EnterpriseOne. A final check between the original timesheets and the information in EnterpriseOne to ensure the accuracy of the data entered is done on a test basis. Although each employee follows designated procedures for ensuring that his or her unique role in the process is performed correctly, the many people and steps involved increase the risk that payroll errors will occur nonetheless.

NEBRASKA DEPARTMENT OF AGRICULTURE

COMMENTS AND RECOMMENDATIONS

(Continued)

3. **Timesheet Approvals and Process** (Concluded)

We recommend the NDA implement procedures to ensure a documented supervisory review is completed of all timesheets. We further recommend the NDA explore ways to simplify and streamline its timesheet and approval process.

Department's Response: NDA currently uses multiple versions of an Employee Reporting System (ERS) to document productivity and leave. This has created inconsistency in documenting approvals as NDA transitions to a paperless time recording system. NDA is currently looking at different systems and it is our desire to implement one system that would provide a uniform process for payroll processing.

4. **Payroll Charges Not In Accordance With A-87 or Other Federal Requirements**

CFDA Number & Description: 10.435 State Mediation Grants; 10.479 Food Safety Cooperative Agreements; 66.605 Performance Partnership Grants; 93.103 Food and Drug Administration Research; 93.448 Food Safety and Security Monitoring Project

Questioned Costs: \$59,868 known ☒ NON-ARRA ☐ ARRA

Grant Number & Year: Various, including #320160470491234, FFY 2014; #141237C1500NE, FFY 2014; #BG99733112, FFY 2014; #06UFD004431A, FFY 2014; #06UFD003652B, FFY 2014

Condition: As part of our Calendar Year 2014 attestation examination of the NDA, we noted the agency did not maintain adequate documentation to support Federal charges for employees.

Criteria: OMB Circular A-87, Attachment A, § C(1)(b) and § C(1)(j), state, respectively, that, to be allowable under Federal awards, costs must be allocable to Federal awards under the provisions of the circular and be adequately documented.

OMB Circular A-87, Attachment A, § C(3)(a), states, "A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received."

OMB Circular A-87, Attachment B, § 8(h)(3), states the following:

Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

NEBRASKA DEPARTMENT OF AGRICULTURE

COMMENTS AND RECOMMENDATIONS

(Continued)

4. **Payroll Charges Not in Accordance With A-87 or Other Federal Requirements**

(Continued)

OMB Circular A-87, Attachment B, § 8(h)(4), states, in part, “Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation”

OMB Circular A-102(2)(j)(3) states the following:

When a Federal agency provides this flexibility, as a prerequisite to a State's exercising this option, a State must adopt its own written fiscal and administrative requirements for expending and accounting for all funds, which are consistent with the provisions of OMB Circular A-87. . . . These fiscal and administrative requirements must be sufficiently specific to ensure that: funds are used in compliance with all applicable Federal statutory and regulatory provisions, costs are reasonable and necessary for operating these programs, and funds are not be used for general expenses required to carry out other responsibilities of a State or its subrecipients.

A good internal control plan requires that procedures be in place to ensure documentation is maintained to support employee charges.

Cause: The Nebraska Department of Agriculture (NDA) determines annually what it considers to be a reasonable allocation for various employee charges to Federal funds based on both personnel activity reports from the prior period and agency knowledge. This is not an allowable allocation method per Federal requirements.

Additional Information: During our calendar year 2014 attestation of the NDA, we noted multiple Federal issues with payroll allocation. The questioned costs set out below are for the period July 2014 through December 2014, and they covered seven of nine Catalog of Federal Domestic Assistance (CFDA) numbers, which was 91% of the payroll charges to Federal grants for the period tested. Questioned costs noted were for salaries only; related employee benefits, including health insurance and retirement, were not included in these totals but would also be unallowable. We noted questioned costs for five of the seven CFDA's tested. The total payroll cost for the seven CFDA's for July through December 2014 was \$539,563.

(Continued on Next Page)

NEBRASKA DEPARTMENT OF AGRICULTURE

COMMENTS AND RECOMMENDATIONS

(Continued)

4. Payroll Charges Not in Accordance With A-87 or Other Federal Requirements

(Continued)

Employee	CFDA	Questioned Costs	Reason
14 food inspectors	93.103	\$9,610	Hours coded to the grant on an employee's timesheet were less than the hours actually charged per the NDA's employee reporting system.
Foods Division Administrator		\$1,713	Exempt employee documented leave used only.
Laboratory Section Supervisor	66.605	\$1,836	Employee did not code any hours to the grant on his timesheet, but hours were charged to the grant on the State Accounting System (E1).
Attorney III		\$8,739	Employees did not code any hours to the grant on their timesheets. Rather, it appears they coded all of their time to general administration, regardless of which State or Federal program on which they worked; however, hours were charged to the grant on the State Accounting System (E1).
Agriculture Plant Industries Division Administrator		\$7,167	
Staff Assistant I		\$1,009	
Laboratory Section Supervisor	93.448	\$1,363	
Staff Assistant I		\$517	
Laboratory Division Administrator		\$1,019	
Laboratory Scientist II	10.479	\$6,323	Employee did not code any hours to the grant on his timesheet, but hours were charged to the grant on the State Accounting System (E1).
Laboratory Section Supervisor		\$2,201	Hours coded to the grant on employee's timesheet were less than hours actually charged per the NDA's employee reporting system.
Program Manager	10.435	\$17,156	Exempt employee documented leave used only.
Staff Assistant II		\$1,215	Employee coded all of her time to a code that includes the grant and other activities.

NEBRASKA DEPARTMENT OF AGRICULTURE

COMMENTS AND RECOMMENDATIONS

(Continued)

4. **Payroll Charges Not in Accordance With A-87 or Other Federal Requirements**
(Concluded)

Questioned Cost by CFDA:

CFDA	Questioned Costs
10.435	\$ 18,371
10.479	\$ 8,524
66.605	\$ 18,751
93.103	\$ 11,323
93.448	\$ 2,899
Total	\$ 59,868

Some employees documented leave used only; some coded all of their time to general administrative work codes that did not reflect the split between Federal and State programs; and other employees simply coded fewer hours to the grants than what were actually being charged.

Effect: Without adequate documentation to support charges to various programs, costs may not be properly allocated. Both Federal and State funds may be mischarged if the costs to the programs are not based on actual hours spent working on those programs.

Recommendation: We recommend the NDA implement procedures to ensure employee costs are adequately documented in accordance with the relevant provisions of OMB Circulars A-87 and A-102.

Department's Response: Corrective action has been taken by instructing staff to use the ERS to document time incurred working on federal grants. As mentioned in the previous audit point, NDA is currently in the process of updating/replacing our current ERS.

5. **Adequate Timesheets for Exempt Employees**

Neb. Rev. Stat. § 84-1001(1) (Reissue 2014) requires that State employees work 40 hours a week, as follows:

All State officers and heads of departments and their deputies, assistants, and employees, except permanent part-time employees, temporary employees, and members of any board or commission not required to render full-time service, shall render not less than forty hours of labor each week except any week in which a paid holiday may occur.

Good internal control includes procedures to ensure adequate documentation is on file to support a 40-hour employee workweek.

We noted 17 of 38 salaried exempt Nebraska Department of Agriculture (NDA) employees for the pay period ending October 5, 2014, did not have timesheets that reflected a 40-hour workweek. Their timesheets included a certification box that stated, "I Have Worked 80 Hours

NEBRASKA DEPARTMENT OF AGRICULTURE

COMMENTS AND RECOMMENDATIONS

(Continued)

5. Adequate Timesheets for Exempt Employees (Concluded)

During This Biweekly Period and Have not Taken any Leave.” However, that box is automatically checked, and it is automatically un-checked if an employee enters any leave for the two-week pay period. Of the 17 employees for the pay period tested, we noted only 4 had taken no leave. Additionally, after the pay period is complete, the timesheets on the State’s accounting system no longer show the certification box. A similar finding was noted in our 2008 attestation examination of the NDA.

Without adequate procedures to ensure there is documentation to support a 40-hour workweek for all employees, there is an increased risk for noncompliance with § 84-1001(1).

We recommend NDA employees report actual hours worked or include a statement on each timesheet that certifies they worked or were on approved leave for at least 40 hours each week to support compliance with § 84-1001(1).

Department’s Response: NDA admits to a current flaw in the exiting ERS system that prevented documentation of at least a 40 hour work week. This will be fixed or correctly implemented as part of a new ERS.

6. Fines and Penalties

Article VII, Section 5(1), of the Nebraska State Constitution provides, in relevant part, the following:

[A]ll fines, penalties, and license money arising under the general laws of the state . . . shall belong and be paid over to the counties respectively where the same may be levied or imposed All such fines, penalties, and license money shall be appropriated exclusively to the use and support of the common schools in the respective subdivisions where the same may accrue

Despite this clear constitutional directive, the following fines and penalties were collected and deposited into funds of the Nebraska Department of Agriculture (NDA) for the calendar year (CY) ending December 31, 2014:

Fund Name	State Statute Authorizing Fines and Penalties	State Statute Authorizing Fines and Penalties to be Deposited into the NDA’s Funds	Amount of Fines and Penalties Deposited into the NDA’s Funds for CY 2014
Nebraska Potato Development	§ 2-1807(2)	§ 2-1808	\$ 1,238
Commercial Feed Administrative	§ 54-856(3)(a)	§ 54-857	3,425
Nebraska Seed Administrative	§ 81-2,147.10	§ 81-2,147.11	295
Fertilizers and Soil Condition Administrative	§ 81-2,162.06(4)	§ 81-2,162.27	6,178
Weights and Measures Administrative	§ 89-187(21)	§ 89-1,100	76,086
Domesticated Cervine Animal	§ 54-2306(2)	§ 54-2320	300
Total			\$ 87,522

NEBRASKA DEPARTMENT OF AGRICULTURE

COMMENTS AND RECOMMENDATIONS

(Continued)

6. **Fines and Penalties** (Continued)

The legislature passed LB 93 (2015) in an attempt to remedy the apparent conflict between Article VII, Section 5(1), and Neb. Rev. Stat. § 81-2,162.06(4) (Reissue 2014), which pertains exclusively to the Fertilizers and Soil Conditioners Administrative Fund above. Under this new legislation, statutory language making reference to a “penalty” was replaced with the following:

[T]he fee shall be considered delinquent and the person owing the fee shall pay an additional administrative fee of twenty-five percent of the delinquent amount for each month it remains unpaid, not to exceed one hundred percent of the original amount due The purpose of the additional administrative fee is to cover the administrative costs associated with collecting fees and all money collected as an additional administrative fee shall be remitted to the State Treasurer for credit to the Fertilizers and Soil Conditioners Administrative Fund.

Due to the lack of an “emergency clause,” LB 93 will not become effective until August 30, 2015, three calendar months after the adjournment of the current legislative session, as required by Article III, Section 27, of the Nebraska State Constitution.

Additionally, the above chart references other statutes not yet amended by either LB 93 or any other legislation. In apparent contravention of Article VII, Section 5(1), these current laws continue to direct fines and penalties to be deposited into specific NDA funds. Consequently, thousands of dollars in fines and penalties collected by the NDA remain at risk of being distributed in an unconstitutional manner.

Our 2005 attestation examination, as well as prior examinations of the NDA, produced a similar finding. While the NDA has pursued legislative action over the years – such as the recent adoption of LB 93 – to alleviate the apparent conflict between certain statutory provisions and Article VII, Section 5(1), numerous such problems continue to exist.

Finally, we noted also that \$4,070 in NDA fines, which should have been deposited into the Common School Fund in accordance with Article VII, Section 5(1), were placed erroneously in the Plant Protection and Plant Pest Cash Fund.

Neb. Rev. Stat. § 2-10,103.02(1) (Cum. Supp. 2014) provides, in relevant part, the following:

The director [of the NDA] may issue an order imposing an administrative fine on any person who has violated any provision, requirement, condition, limitation, or duty imposed by the Plant Protection and Plant Pest Act or rules and regulations adopted and promulgated pursuant to the act in an amount which shall not exceed one thousand dollars for each violation.

Similarly, subsection (2) of that same statute contains the following:

The department shall remit administrative fines collected under the act to the State Treasurer on a monthly basis for distribution in accordance with Article VII, section 5, of the Constitution of Nebraska.

Whether due to a coding error or otherwise, the funds collected under § 2-10,103.02(1) were not distributed in accordance with either Article VII, Section 5(1), or § 2-10,103.02(2).

NEBRASKA DEPARTMENT OF AGRICULTURE

COMMENTS AND RECOMMENDATIONS

(Continued)

6. Fines and Penalties (Concluded)

We reiterate previous recommendations that the NDA seek legal guidance, preferably from the Attorney General, to resolve any remaining issues as to the proper disposition of fines and penalties. Additionally, we recommend that the NDA continue to work with the Legislature to remedy any apparent conflicts between existing State statutes and Article VII, Section 5(1). We recommend also that the NDA seek legal guidance, again preferably from the Attorney General, to determine whether Article VII, Section 5(1), requires any past fines and penalties deposited improperly into the NDA's funds to be transferred to the Common School fund. Lastly, we recommend that the NDA deposit the \$4,070 in fines recorded erroneously to the Plant Protection and Plant Pest Cash Fund into the Common School Fund, as required by both Article VII, Section 5(1), and § 2-10,103.02(2).

Department's Response: Corrective legislative action has been taken on various laws to rectify this point when the law had other substantive issues needing to be changed. NDA is currently working on a cleanup legislative proposal to clarify language for the five remaining acts not previously addressed. It is NDA's desire to be able to retain late fees to offset NDA costs in collecting the statutory fee.

7. State Bank Accounts

The Nebraska Department of Agriculture (NDA) administers the following two Federally funded nutrition programs:

Senior Farmers' Market Nutrition Program (SFMNP)

The United States Department of Agriculture (USDA) provides funding for the Senior Farmers' Market Nutrition Program (SFMNP) by awarding grants to States, U.S. Territories, and Federally recognized Indian tribal governments. The purpose of the SFMNP is to provide low-income seniors with coupons that can be exchanged for eligible foods (fruits, vegetables, honey, and fresh-cut herbs) at farmers' markets, roadside stands, and community-supported agriculture programs.

The SFMNP has been administered by the NDA in conjunction with the Nebraska Department of Health and Human Services (DHHS). The NDA receives the funding from the USDA and works with the DHHS, which prints and distributes coupons to local agencies that, in turn, determine eligibility and disburse the coupons to eligible participants.

WIC Farmers' Market Nutrition Program (FMNP)

The WIC Farmers' Market Nutrition Program (FMNP) is associated with the Special Supplemental Nutrition Program for Women, Infants and Children, popularly known as WIC. The WIC Program provides supplemental foods, health care referrals, and nutrition education at no cost to low-income pregnant, breastfeeding, and non-breastfeeding post-partum women, as well as to infants and children up to five years of age who are found to be at nutritional risk.

NEBRASKA DEPARTMENT OF AGRICULTURE

COMMENTS AND RECOMMENDATIONS
(Continued)

7. **State Bank Accounts** (Continued)

The WIC FMNP was established by Congress in 1992 to provide fresh, unprepared, locally grown fruits and vegetables to WIC participants, and to expand the awareness, use of, and sales at farmers' markets. Women, infants (over four months old) and children who have been certified to receive WIC program benefits or who are on a waiting list for WIC certification are eligible to participate in the WIC FMNP. State agencies may serve some or all of these categories. A variety of fresh, nutritious, unprepared, locally grown fruits, vegetables, and herbs may be purchased with the FMNP coupons. State agencies can limit sales to specific foods grown within state borders to encourage the FMNP recipients to support the farmers in their own states.

Similar to the SFMNP, the FMNP is administered by the NDA in conjunction with the DHHS. The NDA and DHHS have jointly administered the FMNP since 2011. The NDA receives the funding from the USDA and works with the DHHS, which prints and distributes coupons to local agencies that, in turn, determine eligibility and distribute the coupons to eligible participants.

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.

In Op. Att'y Gen. No. 98006 (Jan. 21, 1998), the Nebraska Attorney General addressed the issue of who has the authority to establish banking relationships on behalf of the State. In that opinion, the Attorney General responded to the following question from the State Treasurer:

In reviewing the above statutes and related statutes, does any state official or state agency, other than the State Treasurer, have the authority to establish a banking relationship on behalf of the State?

The Attorney General concluded that only the State Treasurer has the authority to establish banking relationships on behalf of the State, as follows:

Two of the Nebraska statutes which you cited to us in regard to this question are Neb. Rev. Stat. § 77-2301 (1996) and Neb. Rev. Stat. § 77-2309 (1996). Section 77-2301, provides, as is pertinent:

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 hands belonging to the several current funds in the state treasury.

Section 77-2309 states:

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.

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. As a result, to the extent that "establishing a banking relationship" in your question is synonymous with depositing funds in the state treasury in a bank, we believe that your office is the only agency with such authority.

NEBRASKA DEPARTMENT OF AGRICULTURE

COMMENTS AND RECOMMENDATIONS (Continued)

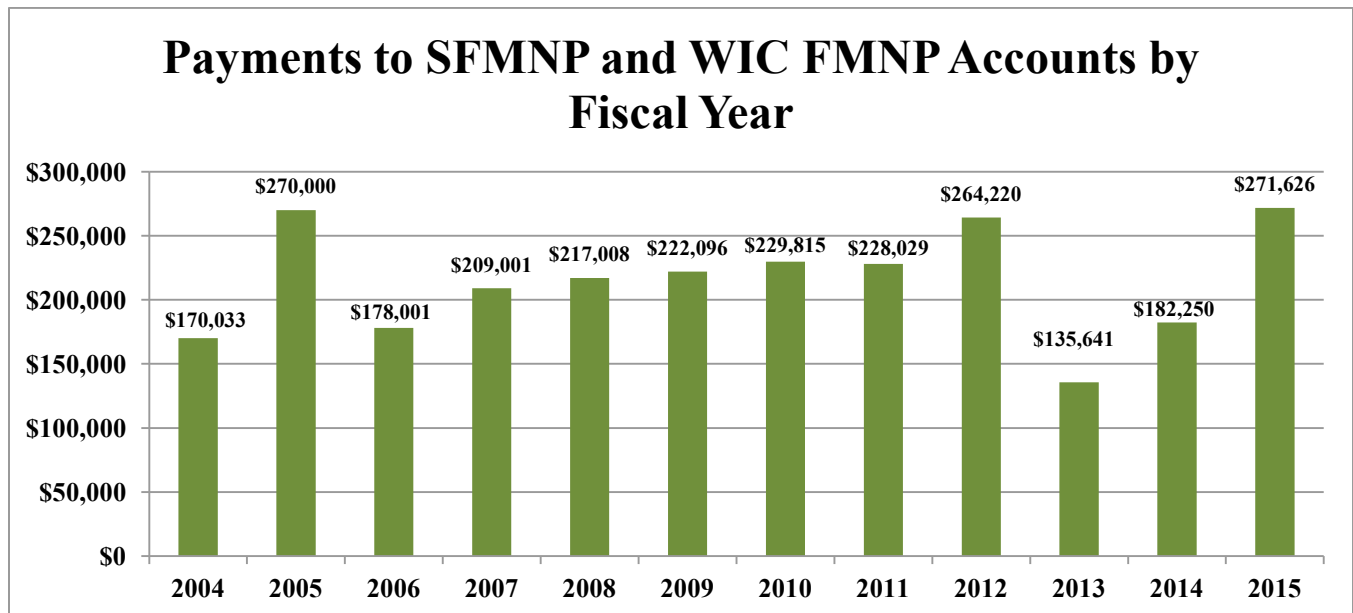
7. State Bank Accounts (Continued)

Additionally, Neb. Rev. Stat. § 77-2398(1) (Cum. Supp. 2014) sets out the following pledged collateral requirements for the deposit of public funds:

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.

The NDA has contracted with Solutran, a Minnesota-based company, to perform the payment processing for both the SFMNP and the FMNP programs. Solutran controls two bank accounts under the State's Federal Tax Identification Number (FTIN) for these programs, one for each.

The SFMNP and the FMNP programs accounts, owned by the State of Nebraska but administered by Solutran, have been maintained in a Minnesota-based bank, Citizens Alliance Bank. Since July 2003, the NDA has transferred over \$2.5 million dollars to these accounts through the State's accounting system, as illustrated by the chart below.



NEBRASKA DEPARTMENT OF AGRICULTURE

COMMENTS AND RECOMMENDATIONS

(Continued)

7. **State Bank Accounts** (Continued)

In our review of the banking records for these two programs, we noted the following:

- ***Bank Signature Card Not Updated*** – The State Treasurer does not appear to have had any involvement with the establishment of either the SFMNP or the FMNP program bank account. Rather, the account signature cards with the out-of-State bank were signed unilaterally by NDA employees, resulting in an apparent violation of § 77-2301(1), which authorizes the State Treasurer alone to establish banking relationships for the State. As noted above, hundreds of thousands of dollars have been paid to and from these activity accounts.
- ***Operating Bank Outside the State of Nebraska*** – As noted previously, the SFMNP and the FMNP program bank accounts were maintained in a Minnesota-based bank, Citizens Alliance Bank. That bank is not licensed to do business in Nebraska. Section 77-2301(1) requires the State Treasurer to deposit the money “in his or her hands” in “the state or national banks, or some of them doing business in this state and of approved standing and responsibility.” According to the State Treasurer’s interpretation of that statutory language, any bank holding State funds must be licensed to do business in the State of Nebraska, which excludes the Citizens Alliance Bank.
- ***Pledged Collateral*** – Currently, the Federal Deposit Insurance Corporation (FDIC) coverage is \$250,000 per depositor, per insured bank, for each account ownership category. The NDA set up both the SFMNP and the FMNP program bank accounts under the State’s FTIN. Per § 77-2398(1), therefore, if the balance of either account ever exceeds the FDIC coverage limit, the NDA should obtain pledged collateral from the depository bank to offset the coverage shortfall. NDA staff admitted to being unaware of this statutory requirement. Our review of the bank statements indicates that neither program account had a balance greater than \$250,000 during fiscal year 2015. However, DHHS also deposited funds under the State’s FTIN at Citizens Alliance Bank, and those separate accounts did exceed the FDIC insurance coverage amount of \$250,000 during February and March 2015. Because all accounts bearing the State’s FTIN at Citizens Alliance Bank would be combined for collateral and FDIC insurance purposes, it is safe to conclude that some of the NDA deposits were occasionally unprotected.

We recommend the NDA do the following:

- Ensure the SFMNP and the FMNP program bank accounts are operated under the control of the State Treasurer, as required by § 77-2301(1);
- Ensure that the amounts in the SFMNP and the FMNP program bank accounts are fully secured or collateralized, as required by § 77-2398(1).

NEBRASKA DEPARTMENT OF AGRICULTURE

COMMENTS AND RECOMMENDATIONS

(Continued)

7. **State Bank Accounts** (Concluded)

Department's Response: NDA began immediately to work with the State Treasurer to transfer the accounts under the control of the State Treasurer and notified Solutran how future payments will be processed. NDA did not realize advanced funds on file with Solutran for coupon redemption was in fact considered a "bank account".

8. **Internal Control Over Capital Assets and Other Electronic Equipment**

Capital Assets

A good internal control plan requires an adequate segregation of duties or compensating controls to ensure that no one individual is able both to perpetrate and/or to conceal errors or irregularities. A good internal control plan also requires procedures to ensure that reports in the accounting system are independently reviewed, and these reviews are documented to ensure the accuracy of capital asset entries. In addition, Government Account Standards Board (GASB) Generally Accepted Accounting Principles, § 1400.102, states, in part:

Capital assets should be reported at historical cost. The cost of a capital asset should include ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include costs that are directly attributable to asset acquisition-such as freight and transportation charges, site preparation costs, and professional fees

During review of the Nebraska Department of Agriculture's (NDA) capital asset procedures, the APA noted the following:

- One individual was able to perform all functions of the capital asset processing for the NDA. That individual had the ability to add, initiate the deletion, and maintain the capital assets on the State's accounting system. Furthermore, there was no independent review of the Additions and Retirements Report from the State's accounting system to ensure all items added and deleted were proper.
- The Unposted Fixed Asset Transaction Report, the Fixed Asset No Cost Integrity Report, the Passed Transaction Report, and other capital asset reports were not reviewed on a regular and timely basis. Based on discussion with NDA staff, those reports have not been run and reviewed for nearly a year. During our expenditure testing, we noted one asset purchased in October 2014 for \$4,250 was on the Unposted Fixed Asset Transaction Report but was not included on the capital asset records until April 2015. In addition, an independent review and approval of surplus property notification forms, the Unposted Fixed Asset Transaction Report, and the Fixed Asset No Cost Report was not documented to ensure proper actions were taken on capital assets.
- The NDA did not review the other integrity reports within the State's accounting system, including the Business Unit Fund Integrity Report and the Item Code Object Account Integrity Report, to ensure the accuracy of capital asset records.

COMMENTS AND RECOMMENDATIONS
(Continued)

8. Internal Control Over Capital Assets and Other Electronic Equipment (Continued)

- During our expenditure testing, we noted one asset valued at \$16,076 was capitalized at only \$15,230, a variance of \$946. Representing other costs – including outlay for freight and installation – to prepare the asset for its intended use, the \$946 was not capitalized. According to NDA staff, such costs are never capitalized because they cannot be recouped when the time comes to surplus the asset.

Without proper controls over capital assets, there is an increased risk that items could be lost or stolen. When the value of a fixed asset does not include all costs necessary to prepare the asset for its intended use, capital outlay will be understated on the financial schedule, and operating expenditures will be overstated. Likewise, the depreciation expense will be understated, and assets will be undervalued.

We recommend the NDA develop procedures to improve controls over capital assets by performing a documented supervisory review of the Additions and Retirements Report and other capital asset Integrity Reports on the State's accounting system. These reports could either be printed or initialed to document the review, or a log could be used noting the reports reviewed and documenting this review by initialing the log. The NDA could retain the actual reports electronically for subsequent review. We also recommend a more timely review of the capital asset reports – such review and any related action to occur, at least, on a quarterly basis. Finally, we recommend the NDA implement procedures to ensure capital assets are valued correctly on the accounting system.

Department's Response: NDA will implement a change that will provide a documented review by a second person. Due to location of fixed assets state-wide, type of fixed asset and the number of fixed assets, NDA believes an annual review is adequate. Lack of staffing and resources has not allowed time to generate reports on a quarterly basis. NDA will consult with appropriate State Accounting and AS Materiel staff on the proper method of valuing a fixed asset.

Other Electronic Equipment

A good internal control plan requires an adequate segregation of duties or compensating controls to ensure that no one individual is able both to perpetrate and/or to conceal errors or irregularities. A good internal control plan also requires procedures to ensure that databases maintained for other electronic equipment are accurate and complete.

The NDA maintains two separate records for other electronic equipment. The NDA's IT department maintains inventory records primarily of computers and cameras, and the accounting department maintains inventory records primarily of iPads and cell phones. Based on our inquiries and review of the procedures and records the NDA maintains over these assets, we noted the following:

NEBRASKA DEPARTMENT OF AGRICULTURE

COMMENTS AND RECOMMENDATIONS
(Continued)

8. Internal Control Over Capital Assets and Other Electronic Equipment (Continued)

- The IT department developed software for its A/S 400 computer to maintain the inventory records of the NDA's computers and cameras. Discussions with IT staff revealed the following:
 - 1) The inventory system does keep track of who makes a change in the database but does not keep track of what was changed. In addition, five people have complete access to the system; that is, they can add, delete, and modify system records. Such unrestricted access to this system by five people may be unnecessary.
 - 2) Generally, one person enters an electronic asset's information into the inventory database; however, there is no supervisory review – much less documentation of any such review – of that information to ensure its accuracy and completeness.
 - 3) The inventory system lacks the capability to generate a listing of deleted electronic asset information. Once such information is deleted, there is no record of that deletion or who deleted it from the database.
 - 4) There is no periodic physical count of the NDA's electronic equipment inventories.

Based on our review, it appears that one person could add, delete, or modify the NDA's computer and camera records in the inventory system, and those changes might go undetected. Such a lack of segregation of duties increases the risk that electronic assets will be misappropriated.

- The NDA's accounting department maintains iPad and cell phone inventory records on an Excel spreadsheet. Per discussion with accounting staff, these records are inaccurate, as they have not been reviewed and updated in quite some time. Additionally, one person is responsible for adding to, deleting from, or otherwise modifying this Excel spreadsheet record, and there is no supervisory review to ensure the record's accuracy and completeness.

When the NDA's inventory records of electronic equipment are not accurate and complete, and no supervisory review occurs to ensure such accuracy and completeness, there is a greater risk these assets will be misappropriated.

We recommend the IT department improve its controls over electronic equipment inventories in the following manner:

- Review who has access to change data in the inventory system, limiting that ability to only those individuals needed to complete the required tasks.

NEBRASKA DEPARTMENT OF AGRICULTURE

COMMENTS AND RECOMMENDATIONS

(Continued)

8. Internal Control Over Capital Assets and Other Electronic Equipment (Concluded)

- Implement a documented supervisory review of asset information added to the inventory system. This review might include comparing all items on approved invoices to the asset information in the inventory system to ensure the accuracy and completeness of such information.
- Consider programming the inventory system to generate a report of deleted assets. Once so programmed, develop a procedure for periodically running this deletion report with a documented supervisory review of the results. This review might include comparing approved surplus documents to the deletion report to ensure all deletions are supported by surplus documentation.
- Develop procedures for the performance of a periodic physical count of selected electronic equipment inventory assets.

Department's Response: NDA will do an in-depth review of our agency inventory of electronic fixed assets. We agree there is a need for a deletions report and a management level sign off when a fixed asset is changed or removed from the inventory or surplus.

We recommend the NDA's accounting department update iPad and cell phone inventory records to ensure their accuracy and completeness. We recommend also the accounting department develop and implement procedures, including a documented supervisory review, for maintaining the accuracy and completeness of those records.

Department's Response: NDA will review current practices and implement changes so timely and updated information is available.

9. Internal Controls Over Receipts

A good internal control plan requires an adequate segregation of duties or compensating controls to ensure that no one individual is able both to perpetrate and/or to conceal errors or irregularities. A good internal control plan also requires the following:

- Documented procedures to ensure all receipts received are accounted for and properly posted to the Nebraska Department of Agriculture's (NDA) funds;
- All mail be opened by two individuals and a log of monies received be completed and signed to help ensure all receipts are deposited;

NEBRASKA DEPARTMENT OF AGRICULTURE

COMMENTS AND RECOMMENDATIONS
(Continued)

9. Internal Controls Over Receipts (Continued)

- All monies be deposited with the State Treasurer upon receipt; and
- The general ledger be reviewed to ensure all deposits were properly posted.

Overview of the NDA's receipting process:

The NDA has a Central Fee Collection Center (CFCC), which opens the mail for all focus areas. Focus areas are: Shared Services; Animal and Plant Health Protection; Food Safety and Consumer Protection; and Agriculture Promotion and Development. CFCC staff opens the mail, endorses the checks for deposit, and then puts the checks and correspondence in the appropriate focus area mailboxes. Staff from each focus area then come to the CFCC to process the receipts.

Depending on the type of receipt, the money may be entered into a receipt book, an A/S 400 computer system – which, in turn, will generate a receipt report – or an Excel spreadsheet. No checks or cash are supposed to leave the CFCC until ready for deposit, at which time the money is turned over to central finance staff for processing. Central finance staff begins the deposit process by completing an adding machine tape and reconciling it to the detailed support prepared by the focus area staff. The focus area staff scans the checks and correspondence into OnBase (a records storage system) and uses these images for further processing. The correspondence is shredded.

Each morning, Data Center staff checks the NE Online site (the NDA's online receipting vendor) for reports of the previous day's receipts. They email or print out a receipt report and put it in the mailbox in the CFCC. Focus area staff is then responsible for processing the receipts and returning the report to central finance to allow for the processing of an Automated Clearing House (ACH) transaction.

During our review of the NDA's receipting process, the following was noted:

- Various individuals opened the mail; however, no initial log was kept of monies received. The mail was opened in the CFCC by two individuals, however, unless the two individuals opening the mail, prepare and sign a receipt log in the process, there is no accounting for all receipts received by the NDA. Consequently, an absence of multiple mail handlers results in less assurance that all receipts received by the NDA are actually deposited and accounted for properly.
- Checks received by the NDA were not always deposited intact with the State Treasurer. When a check received with supporting documentation could not be processed for deposit, the NDA would place the uncashed warrant in a safe. The entity submitting the payment would then be contacted to correct the discrepancy. If the discrepancy could not be corrected, the check would be returned to the sender. Unless the NDA deposits with the State Treasurer all checks upon receipt, followed by a timely determination as to the correct disposition of each check so deposited, there is less assurance that all checks will be accounted for properly.

NEBRASKA DEPARTMENT OF AGRICULTURE

COMMENTS AND RECOMMENDATIONS

(Continued)

9. **Internal Controls Over Receipts** (Continued)

- As noted above, in the receipting process, central finance does receive a report generated from the A/S 400 computer receipting systems for receipts processed through that system. These reports are prepared by the focus area staff. However, these reports are not generated independently. Likewise, central finance does not reconcile these reports to the A/S 400 computer system reports provided by the focus area staff to ensure the completeness and accuracy of the receipts recorded in the A/S 400 by the focus area staff.
- We noted some focus area staff did not review the general ledger of E1, the State's accounting system, to ensure all receipts prepared by them were appropriately recorded in E1.
- In addition, central finance staff did not reconcile monies deposited with the State Treasurer to the E1 general ledger.

Similar findings were noted in our prior attestation examinations of the NDA.

When an initial listing of monies received is not prepared, there is an increased risk that misplaced or lost receipts will go undetected. Not depositing checks intact with the State Treasurer also increases the risk that a check could be lost, misplaced, or even returned to an entity that owes money to the State. Without an independent generation or reconciliation of the A/S 400 computer system receipts by central finance, moreover, there is less assurance that all receipts recorded in the A/S 400 by focus area staff will be deposited. Finally, lack of a documented review of the general ledger by both focus area and central finance staff increases the risk that deposits will not be properly posted.

We recommend the NDA implement policies and procedures to ensure all mail is opened by two or more individuals, and a daily receipt log is prepared and signed by everyone opening the mail. Central finance should reconcile the receipt log to the amounts entered into the A/S 400 computer system or to other receipt-generated documents to ensure all monies received are entered into the system and subsequently deposited. We further recommend all checks received be deposited with the State Treasurer upon receipt and both focus area and central finance staff perform a documented review of the general ledger to ensure all deposits are properly posted thereto.

Department's Response: NDA currently has more than one person open mail. NDA understands the value of maintaining a receipt log, but the cost benefit of doing so has not been found to be a justifiable expense due to the diversity of our agency. NDA has taken actions to improve our controls over handling fees, including centralizing the process within one area of the agency,

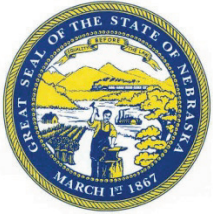
NEBRASKA DEPARTMENT OF AGRICULTURE

COMMENTS AND RECOMMENDATIONS

(Concluded)

9. Internal Controls Over Receipts (Concluded)

development of on-line applications and encouraging entities to use e-commerce and developing electronic receipts. Currently, over fifty percent of revenue collected by NDA is done via e-commerce and our goal is to be over 75%. NDA does return checks that are not made out for the correct amount for legal enforcement of permitting and issuing licenses. Acceptance of partial payment creates legal issues if an entity is licensed or partially licensed to operate in cases where a license or permit is required. NDA recognizes the importance of a general ledger review and documenting the review.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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NEBRASKA DEPARTMENT OF AGRICULTURE

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Department of Agriculture
Lincoln, Nebraska

We have examined the accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balances of the Nebraska Department of Agriculture for the calendar year ended December 31, 2014. The Nebraska Department of Agriculture's management is responsible for the Schedule of Revenues, Expenditures, and Changes in Fund Balances. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and, accordingly, included examining, on a test basis, evidence supporting the Schedule of Revenues, Expenditures, and Changes in Fund Balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedule referred to above presents, in all material respects, revenues, expenditures, and changes in fund balances of the Nebraska Department of Agriculture for the calendar year ended December 31, 2014, based on the accounting system and procedures prescribed by State of Nebraska Department of Administrative Services, as described in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Schedule of Revenues, Expenditures, and Changes in Fund Balances and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Schedule of

Revenues, Expenditures, and Changes in Fund Balances is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedule of Revenues, Expenditures, and Changes in Fund Balances or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed a certain finding that is required to be reported under *Government Auditing Standards*, and the finding, along with the views of management, is described in the Comments Section of the report.

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

A handwritten signature in black ink, appearing to read 'C. Janssen', with a long horizontal flourish extending to the right.

Charlie Janssen
Auditor of Public Accounts

August 24, 2015

NEBRASKA DEPARTMENT OF AGRICULTURE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Period January 1, 2014, through December 31, 2014

	State General Fund 10000	Noxious Weed Cash Fund 20750	Noxious Weed Invasive Plant Cash Fund 20755	Tractor Permit Cash Fund 20760	Weed Book Cash Fund 20780	Pesticide Administrative Cash Fund 20790	Commercial Feed Administrative Cash Fund 20810	Fertilizers and Soil Conditioners Administrative Cash Fund 20820	Nebraska Poultry and Egg Development, Utilization, and Marketing Cash Fund 20830	Nebraska Agricultural Products Marketing Cash Fund 20840
REVENUES:										
Appropriations	\$ 5,885,212	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-	-	-	920,131	424,658	116,112	-
Intergovernmental	-	-	167,052	-	-	-	-	-	-	-
Sales & Charges	426	389,947	-	4,450	11,598	233,175	28,395	22,470	-	84,023
Miscellaneous	1,418	5,226	2,561	140	1,329	28,121	19,477	15,134	7,244	35,577
TOTAL REVENUES	5,887,056	395,173	169,613	4,590	12,927	261,296	968,003	462,262	123,356	119,600
EXPENDITURES:										
Personal Services	4,229,865	343,337	17,561	4,586	3,724	229,486	596,972	297,670	25,232	59,195
Operating	1,277,381	39,718	267,449	98	5,405	134,432	252,896	95,012	78,730	10,247
Travel	379,838	51,319	643	73	-	2,491	6,113	3,344	2,032	18,306
Capital Outlay	(1,872)	-	-	-	-	105	41,367	6,248	-	-
Government Aid	-	-	2,880	-	-	-	-	-	-	-
TOTAL EXPENDITURES	5,885,212	434,374	288,533	4,757	9,129	366,514	897,348	402,274	105,994	87,748
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,844	(39,201)	(118,920)	(167)	3,798	(105,218)	70,655	59,988	17,362	31,852
OTHER FINANCING SOURCES (USES):										
Sales of Assets	9,870	-	-	-	-	790	7,058	-	-	-
Deposit to General Fund	(276,112)	-	-	-	-	-	-	-	-	-
Miscellaneous Adjustments - (Uses)	(16,772)	-	-	-	-	(12,000)	(19,215)	-	-	-
Miscellaneous Adjustments - Sources	281,170	10,038	-	-	-	11,500	2,479	-	-	-
Transfer between Funds	-	-	-	-	-	-	-	-	-	-
Deposit to/from Common Fund	-	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,844)	10,038	-	-	-	290	(9,678)	-	-	-
Net Change in Fund Balances	-	(29,163)	(118,920)	(167)	3,798	(104,928)	60,977	59,988	17,362	31,852
FUND BALANCES, January 1, 2014	11,018	403,988	177,218	7,193	68,249	969,688	772,792	393,428	69,774	143,885
FUND BALANCES, December 31, 2014	\$ 11,018	\$ 374,825	\$ 58,298	\$ 7,026	\$ 72,047	\$ 864,760	\$ 833,769	\$ 453,416	\$ 87,136	\$ 175,737
FUND BALANCES CONSIST OF:										
General Cash	\$ -	\$ 374,820	\$ 58,298	\$ 7,026	\$ 71,062	\$ 836,776	\$ 833,032	\$ 452,736	\$ 86,792	\$ 175,557
NSF Items	-	-	-	-	-	-	-	-	-	-
Deposits with Vendors	11,018	5	-	-	1,020	2,075	605	50	344	180
Accounts Receivable Invoiced	-	-	-	-	-	26,675	135	630	-	-
Due From Other Government	-	-	-	-	-	-	-	-	-	-
Long-Term Investments	-	-	-	-	-	-	-	-	-	-
Due to Vendors	-	-	-	-	-	(766)	-	-	-	-
Received - Not Vouchered	-	-	-	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-	-	-	-
Due to Fund	-	-	-	-	(35)	-	(3)	-	-	-
TOTAL FUND BALANCES	\$ 11,018	\$ 374,825	\$ 58,298	\$ 7,026	\$ 72,047	\$ 864,760	\$ 833,769	\$ 453,416	\$ 87,136	\$ 175,737

The accompanying notes are an integral part of the schedule.

(Continued)

NEBRASKA DEPARTMENT OF AGRICULTURE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Period January 1, 2014, through December 31, 2014

	Soil and Plant Analysis Laboratory Cash Fund 20850	State Apiary Cash Fund 20870	Pure Food Cash Fund 20890	Nebraska Seed Administrative Cash Fund 21780	Plant Protection and Plant Pest Cash Fund 21790	Agricultural Products Marketing Information Cash Fund 21800	Pure Milk Cash Fund 21810	Livestock Auction Market Cash Fund 21820	Nebraska Potato Development Cash Fund 21840	Domesticated Cervine Animal Cash Fund 21850	Weights and Measures Administrative Cash Fund 21870	Graded Egg Cash Fund 21880
REVENUES:												
Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-	-	7,292	-	-	72,959	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	-
Sales & Charges	600	150	750,292	43,975	354,056	16,550	236,576	629,329	-	3,134	787,011	43
Miscellaneous	131	36	56,778	1,364	5,956	725	996	2,101	2,809	425	85,633	5
TOTAL REVENUES	731	186	807,070	45,339	360,012	24,567	237,572	631,430	75,768	3,559	872,644	48
EXPENDITURES:												
Personal Services	-	-	630,289	32,906	324,741	-	191,711	3,437	11,785	9,987	509,069	-
Operating	3	1	117,559	4,882	168,520	17,825	56,935	597,125	14,960	127	231,172	-
Travel	-	-	76,638	288	32,884	-	19,522	247	1,610	356	21,589	-
Capital Outlay	-	-	181	-	-	-	190	-	-	-	125,315	-
Government Aid	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	3	1	824,667	38,076	526,145	17,825	268,358	600,809	28,355	10,470	887,145	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	728	185	(17,597)	7,263	(166,133)	6,742	(30,786)	30,621	47,413	(6,911)	(14,501)	48
OTHER FINANCING SOURCES (USES):												
Sales of Assets	-	-	-	-	-	-	-	-	-	-	5,633	-
Deposit to General Fund	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Adjustments - (Uses)	-	-	(6,600)	-	(648)	-	(42)	-	-	-	-	-
Miscellaneous Adjustments - Sources	-	-	-	-	137,295	7,215	-	-	-	-	-	-
Transfer between Funds	-	-	(28,000)	-	-	-	-	-	-	-	-	-
Deposit to/from Common Fund	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(34,600)	-	136,647	7,215	(42)	-	-	-	5,633	-
Net Change in Fund Balances	728	185	(52,197)	7,263	(29,486)	13,957	(30,828)	30,621	47,413	(6,911)	(8,868)	48
FUND BALANCES, January 1, 2014	6,506	1,744	553,632	62,691	125,439	36,521	62,661	111,990	68,043	11,799	560,095	252
FUND BALANCES, December 31, 2014	<u>\$ 7,234</u>	<u>\$ 1,929</u>	<u>\$ 501,435</u>	<u>\$ 69,954</u>	<u>\$ 95,953</u>	<u>\$ 50,478</u>	<u>\$ 31,833</u>	<u>\$ 142,611</u>	<u>\$ 115,456</u>	<u>\$ 4,888</u>	<u>\$ 551,227</u>	<u>\$ 300</u>
FUND BALANCES CONSIST OF:												
General Cash	\$ 7,149	\$ 1,929	\$ 500,280	\$ 69,603	\$ 94,617	\$ 50,468	\$ 31,808	\$ 142,551	\$ 115,189	\$ 4,888	\$ 558,340	\$ 300
NSF Items	-	-	-	-	-	-	-	-	-	-	-	-
Deposits with Vendors	85	-	1,155	351	931	10	25	60	267	-	71	-
Accounts Receivable Invoiced	-	-	-	-	405	-	-	-	-	-	281	-
Due From Other Government	-	-	-	-	-	-	-	-	-	-	-	-
Long-Term Investments	-	-	-	-	-	-	-	-	-	-	-	-
Due to Vendors	-	-	-	-	-	-	-	-	-	-	-	-
Received - Not Vouchered	-	-	-	-	-	-	-	-	-	-	(7,465)	-
Deposits	-	-	-	-	-	-	-	-	-	-	-	-
Due to Fund	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	\$ 7,234	\$ 1,929	\$ 501,435	\$ 69,954	\$ 95,953	\$ 50,478	\$ 31,833	\$ 142,611	\$ 115,456	\$ 4,888	\$ 551,227	\$ 300

The accompanying notes are an integral part of the schedule.

(Continued)

NEBRASKA DEPARTMENT OF AGRICULTURE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Period January 1, 2014, through December 31, 2014

	Ag Lab Testing Services Cash Fund 21885	Buffer Strip Incentive Cash Fund 21950	Commercial Dog and Cat Operator Inspection Program Cash Fund 21960	Winery and Grape Producers Promotional Cash Fund 21970	Natural Resource Water Quality Fund 25540	Federal Letter of Credit Fund 40000	Homeland Security - NEMA Fund 41810	USDA AG Loan Mediation Program Fund 41820	FDA Sulfamethazine Fund 41841	USDA Ag Development Fund 41850
REVENUES:										
Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	9,551	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	1,512,638	106,167	134,120	4,667	-
Sales & Charges	11,070	771,960	372,727	-	1,201,766	-	-	-	-	-
Miscellaneous	647	5,547	6,339	1,670	-	-	728	522	238	206,332
TOTAL REVENUES	11,717	777,507	379,066	11,221	1,201,766	1,512,638	106,895	134,642	4,905	206,332
EXPENDITURES:										
Personal Services	-	25,757	317,624	-	-	579,482	-	49,494	-	56,995
Operating	-	719,585	47,896	191,437	40	505,725	10,100	85,696	-	82,958
Travel	-	82	1,447	3,868	-	54,323	22,522	2,820	-	65,319
Capital Outlay	-	-	19,581	-	-	108,399	-	-	-	-
Government Aid	-	-	-	-	-	267,476	-	-	-	-
TOTAL EXPENDITURES	-	745,424	386,548	195,305	40	1,515,405	32,622	138,010	-	205,272
Excess (Deficiency) of Revenues Over (Under) Expenditures	11,717	32,083	(7,482)	(184,084)	1,201,726	(2,767)	74,273	(3,368)	4,905	1,060
OTHER FINANCING SOURCES (USES):										
Sales of Assets	-	-	-	-	-	-	-	-	-	-
Deposit to General Fund	-	-	-	-	-	-	-	-	-	-
Miscellaneous Adjustments - (Uses)	-	(8,000)	-	-	-	(399)	(53,545)	(8,000)	-	-
Miscellaneous Adjustments - Sources	-	8,000	-	-	-	3,166	-	8,000	-	-
Transfer between Funds	-	-	-	-	-	-	-	-	-	-
Deposit to/from Common Fund	-	-	-	188,617	(1,201,726)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	188,617	(1,201,726)	2,767	(53,545)	-	-	-
Net Change in Fund Balances	11,717	32,083	(7,482)	4,533	-	-	20,728	(3,368)	4,905	1,060
FUND BALANCES, January 1, 2014	28,845	589,080	32,831	29,514	-	-	27,006	24,459	11,740	2,863,641
FUND BALANCES, December 31, 2014	\$ 40,562	\$ 621,163	\$ 25,349	\$ 34,047	\$ -	\$ -	\$ 47,734	\$ 21,091	\$ 16,645	\$ 2,864,701
FUND BALANCES CONSIST OF:										
General Cash	\$ 40,562	\$ 621,163	\$ 25,349	\$ 34,047	\$ -	\$ -	\$ 47,734	\$ 21,091	\$ 13,209	\$ 106,999
NSF Items	-	-	-	-	-	-	-	-	-	-
Deposits with Vendors	-	-	-	-	-	-	-	-	-	251
Accounts Receivable Invoiced	-	-	-	-	-	-	-	-	3,436	-
Due From Other Government	-	-	-	-	-	-	-	-	-	-
Long-Term Investments	-	-	-	-	-	-	-	-	-	2,757,451
Due to Vendors	-	-	-	-	-	-	-	-	-	-
Received - Not Vouchered	-	-	-	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-	-	-	-
Due to Fund	-	-	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	\$ 40,562	\$ 621,163	\$ 25,349	\$ 34,047	\$ -	\$ -	\$ 47,734	\$ 21,091	\$ 16,645	\$ 2,864,701

The accompanying notes are an integral part of the schedule.

(Continued)

NEBRASKA DEPARTMENT OF AGRICULTURE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Period January 1, 2014, through December 31, 2014

	EPA Pesticide FIFRA Fund 41860	FDA Food Inspection Fund 41900	FDA Medicated Feed Fund 41920	USDA APHIS Fund 41930	USDA Entomology Survey Program Fund 41950	USDA Export Marketing Fund 41970	Management Services Expense Revolving Fund 51810	Common School Fund 61270	Totals (Memorandum Only)
REVENUES:									
Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,885,212
Taxes	-	-	-	-	-	-	-	-	1,550,703
Intergovernmental	710,595	48,377	77,065	873,112	220,912	314,229	-	-	4,168,934
Sales & Charges	-	-	-	-	-	-	528,656	-	6,482,379
Miscellaneous	223	1,675	3,699	1,864	603	766	10,777	9,650	524,466
TOTAL REVENUES	710,818	50,052	80,764	874,976	221,515	314,995	539,433	9,650	18,611,694
EXPENDITURES:									
Personal Services	421,406	44,387	106,293	389,011	25,726	8,400	361,421	-	9,907,549
Operating	254,341	1,131	7,005	93,502	13,436	208,228	194,605	-	5,786,162
Travel	19,257	6,020	2,960	16,687	439	318	1,919	-	815,274
Capital Outlay	22	-	-	6,632	-	-	1,674	-	307,842
Government Aid	-	-	-	-	-	-	-	-	270,356
TOTAL EXPENDITURES	695,026	51,538	116,258	505,832	39,601	216,946	559,619	-	17,087,183
Excess (Deficiency) of Revenues Over (Under) Expenditures	15,792	(1,486)	(35,494)	369,144	181,914	98,049	(20,186)	9,650	1,524,511
OTHER FINANCING SOURCES (USES):									
Sales of Assets	4,479	-	-	-	-	-	-	-	27,830
Deposit to General Fund	-	-	-	-	-	-	-	-	(276,112)
Miscellaneous Adjustments - (Uses)	(4,000)	-	(13,952)	(192,895)	(157,520)	(17)	-	-	(493,605)
Miscellaneous Adjustments - Sources	4,500	6,600	12,265	3,430	-	-	-	-	495,658
Transfer between Funds	-	28,000	-	-	-	-	-	-	-
Deposit to/from Common Fund	-	-	-	-	-	-	-	(9,650)	(1,022,759)
TOTAL OTHER FINANCING SOURCES (USES)	4,979	34,600	(1,687)	(189,465)	(157,520)	(17)	-	(9,650)	(1,268,988)
Net Change in Fund Balances	20,771	33,114	(37,181)	179,679	24,394	98,032	(20,186)	-	255,523
FUND BALANCES, January 1, 2014	272	11,457	103,249	101,101	70,837	112,523	38,123	-	8,663,284
FUND BALANCES, December 31, 2014	\$ 21,043	\$ 44,571	\$ 66,068	\$ 280,780	\$ 95,231	\$ 210,555	\$ 17,937	\$ -	\$ 8,918,807
FUND BALANCES CONSIST OF:									
General Cash	\$ 21,043	\$ 626	\$ 50,791	\$ 53,471	\$ 95,230	\$ 182,103	\$ 20,055	\$ -	\$ 5,806,694
NSF Items	-	-	-	-	-	-	1,017	-	1,017
Deposits with Vendors	-	-	20	-	1	-	-	-	18,524
Accounts Receivable Invoiced	-	43,945	15,257	227,309	-	28,452	2,971	-	349,496
Due From Other Government	-	-	-	-	-	-	1,112	-	1,112
Long-Term Investments	-	-	-	-	-	-	-	-	2,757,451
Due to Vendors	-	-	-	-	-	-	-	-	(766)
Received - Not Vouchered	-	-	-	-	-	-	-	-	(7,465)
Deposits	-	-	-	-	-	-	(7,218)	-	(7,218)
Due to Fund	-	-	-	-	-	-	-	-	(38)
TOTAL FUND BALANCES	\$ 21,043	\$ 44,571	\$ 66,068	\$ 280,780	\$ 95,231	\$ 210,555	\$ 17,937	\$ -	\$ 8,918,807

The accompanying notes are an integral part of the schedule.

(Concluded)

NEBRASKA DEPARTMENT OF AGRICULTURE

NOTES TO THE SCHEDULE

For the period January 1, 2014, through December 31, 2014

1. Criteria

The accounting policies of the Nebraska Department of Agriculture (NDA) are on the basis of accounting as prescribed by the State of Nebraska Director of Administrative Services (DAS).

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

The keeping of general accounts and the adoption and promulgation of appropriate rules, regulations, and administrative orders designed to assure a uniform and effective system of accounts and accounting, the approval of all vouchers, and the preparation and issuance of warrants for all purposes[.]

In accordance with Neb. Rev. Stat. § 81-1111(1) (Reissue 2014), the State Accounting Administrator has prescribed the system of accounts and accounting to be maintained by the State and its departments and agencies and has developed necessary accounting policies and procedures. The prescribed accounting system currently utilizes EnterpriseOne, an accounting resource software, to maintain the general ledger and all detailed accounting records. Policies and procedures are detailed in the Nebraska State Accounting Manual published by DAS State Accounting Division (State Accounting) and are available to the public.

The financial information used to prepare the Schedule of Revenues, Expenditures, and Changes in Fund Balances was obtained directly from the general ledger and fund balance information maintained on EnterpriseOne. EnterpriseOne is not an accrual accounting system; instead, accounts are maintained on a modified cash basis. As revenue transactions occur, the agencies record the accounts receivable and related revenues in the general ledger. As such, certain revenues are recorded when earned, regardless of the timing of related cash flows. State Accounting does not require the NDA to record all accounts receivable and related revenues in EnterpriseOne; as such, the NDA's schedule does not include all accounts receivable and related revenues. In a like manner, expenditures and related accounts payable are recorded in the general ledger as transactions occur. As such, the schedule includes those expenditures and related accounts payable posted in the general ledger as of December 31, 2014, and not yet paid as of that date. The amount recorded as expenditures on the schedule, as of December 31, 2014, **does not** include amounts for goods and services received before December 31, 2014, which had not been posted to the general ledger as of December 31, 2014.

Other liabilities are recorded in accounts entitled Due to Vendors, Received – Not Vouchered, Deposits, and Due to Fund for the NDA. The assets in these funds are being held by the State as an agent and will be used to pay those liabilities to individuals, private organizations, other governments, and/or other funds. The recording of those liabilities reduces the fund balance.

NEBRASKA DEPARTMENT OF AGRICULTURE

NOTES TO THE SCHEDULE

(Continued)

1. **Criteria** (Continued)

The NDA had \$349,496 in accounts receivable recorded on EnterpriseOne at December 31, 2014. However, State Accounting does not require the NDA to record all of its receivables on the general ledger, and thus the amount above does not necessarily reflect all the accounts receivable of the NDA. Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

The following fund types are established by the State and used by the NDA:

10000 – General Fund – accounts for activities funded by general tax dollars and related expenditures and transfers.

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

40000 – Federal Funds – account for the financial activities related to the receipt and disbursement of funds generated from the Federal government as a result of grants and contracts. Expenditures must be made in accordance with applicable Federal requirements.

50000 – Revolving Funds – account for the operation of State agencies that provide goods and services to other departments or agencies within State government. The NDA's revolving fund, fund number 51810, has both internal and external generated activity. The NDA recorded \$528,656 in Sales & Charges in its revolving fund for the calendar year ended December 31, 2014. Of this amount, \$451,168 was internally generated revenue and, thus, not outside revenue to the NDA. This amount consists primarily of Data Center costs charged to other funds within the NDA. The remaining \$77,488 was outside revenue to the NDA, which was received from six independent Commodity Boards of the State of Nebraska. The NDA provided accounting and other services to these Boards.

60000 – Trust Funds – account for assets held by the State in a trustee capacity. Expenditures are made in accordance with the terms of the trust.

The following major revenue account classifications are established by State Accounting and used by the NDA:

Appropriations – Appropriations are granted by the Legislature to make expenditures and to incur obligations. The amount of appropriations reported as revenue is the amount of expenditures.

NEBRASKA DEPARTMENT OF AGRICULTURE

NOTES TO THE SCHEDULE

(Continued)

1. Criteria (Continued)

Taxes – Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. Taxes recorded as revenue for the NDA consist of taxes on various commodities.

Intergovernmental – Revenue from other governments in the form of grants, entitlements, shared revenues, payments in lieu of taxes, or reimbursements.

Sales & Charges – Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees.

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

The following are major expenditure account classifications established by State Accounting and used by the NDA:

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

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

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

Capital Outlay – Expenditures that result in the acquisition of or an addition to capital assets. Capital assets are resources of a long-term character, owned or held by the government.

Government Aid – Payment of Federal and/or State money to governmental subdivisions, State agencies, local health and welfare offices, individuals, etc., in furtherance of local activities and accomplishment of State programs.

Other significant accounting classifications and procedures established by State Accounting and used by the NDA include the following:

Assets – Government-held or owned resources that have monetary value. Assets include cash accounts, deposits with vendors, receivable accounts, due from other government and long-term investments. Accounts receivable are recorded as an increase to revenues resulting in an increase to fund balance on the schedule. Cash accounts and deposits with vendors are also included in fund balance and are reported as recorded in the general ledger. Long-term investments (investments) are stated at fair value, based on quoted market prices. Law or legal instruments may restrict these investments. Investments are under the control of the State Treasurer or other administrative bodies, as determined by law.

NEBRASKA DEPARTMENT OF AGRICULTURE

NOTES TO THE SCHEDULE

(Continued)

1. **Criteria** (Concluded)

Liabilities – Legal obligations arising out of transactions in the past that must be liquidated, renewed, or refunded at some future date. Accounts payable transactions are recorded as expenditures, resulting in a decrease to fund balance. Other liabilities recorded in the general ledger for the NDA's funds at December 31, 2014, included amounts recorded in Due to Vendors, Received – Not Vouchered, Deposits, and Due to Fund. The activity of these accounts is not recorded through revenue and expenditure accounts on the Schedule of Revenues, Expenditures, and Changes in Fund Balances.

Other Financing Sources – Proceeds of fixed asset dispositions, Deposit to General Fund, Transfers between Funds, Deposit to/from Common Funds and Miscellaneous Adjustments – (Uses and Sources). The Miscellaneous Adjustment account is used by the NDA, in accordance with the Department of Administrative Services (DAS) State Accounting Manual, to process adjustments that cross fiscal years. The NDA recorded \$493,605 in debit entries to this account and \$495,658 credit entries to this account for calendar year ending December 31, 2014. Of the debit amount of \$493,605, approximately \$400,530 in miscellaneous adjustments was recorded to transfer expenditures from the general fund and various cash funds to various Federal funds based on reimbursements of these expenditures from the Federal government. The remaining debits and credits to this account were for various prior period correcting entries. The State of Nebraska Accounting System, E1, records these adjustments as Miscellaneous Revenue. These transactions are not miscellaneous revenue to the NDA. To more accurately report these transactions for financial schedule presentation purposes, the NDA reclassified the debit amount of \$493,605 as Miscellaneous Adjustments – (Uses) and the credit amount of \$495,658 as Miscellaneous Adjustments – Sources.

2. **Reporting Entity**

The NDA is a State agency established under and governed by the laws of the State of Nebraska. As such, the NDA is exempt from State and Federal income taxes. The schedule includes all funds of the NDA included in the general ledger.

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

3. **Totals**

The Totals "Memorandum Only" column represents an aggregation of individual account balances. The column is presented for overview informational purposes and does not present consolidated financial information because interfund balances and transactions have not been eliminated.

NEBRASKA DEPARTMENT OF AGRICULTURE

NOTES TO THE SCHEDULE

(Continued)

4. General Cash

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

5. Capital Assets

Capital assets include land, buildings, equipment, improvements to buildings, construction in progress, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Under State Accounting policies, expenditures for such capital assets are not capitalized as an asset in the funds used to acquire or construct them. Rather, costs of obtaining the capital assets are reflected as expenditures in the general ledger and are reported as such on the Schedule.

However, State Accounting does adjust such expenditures and reports the capital assets as assets for the State of Nebraska in the Comprehensive Annual Financial Report (CAFR). In addition, the NDA takes an annual inventory, recording in the State Accounting System all equipment that has a cost of \$1,500 or more at the date of acquisition.

For the CAFR, the State requires the NDA to value all capital assets at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Generally, equipment that has a cost of \$5,000 or more at the date of acquisition and has an expected useful life of more than one year is capitalized. Substantially, all initial building costs, land, and land improvements are capitalized. Building improvements and renovations are capitalized if a substantial portion of the life of the asset has expired and if the useful life of the asset has been extended as a result of the renovation or improvement. Depreciation expenses are reported in the CAFR in the funds used to acquire or construct them for the State of Nebraska. The cost of normal maintenance and repairs that does not add to the value of the asset or extend the asset's life is not capitalized.

Equipment is depreciated in the CAFR using the straight-line method with estimated useful lives of 3-20 years.

Capital asset activity of the NDA recorded in the State Accounting System for the period January 1, 2014, through December 31, 2014, was as follows:

NEBRASKA DEPARTMENT OF AGRICULTURE

NOTES TO THE SCHEDULE
(Continued)

5. Capital Assets (Concluded)

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets				
Equipment	\$ 4,488,404	\$ 214,064	\$ 72,051	\$ 4,630,417
Less accumulated depreciation for:				
Equipment				\$ (3,371,819)
Total capital assets, net of depreciation				<u>\$ 1,258,598</u>

6. Investments

Long-Term Investments represent the balance reflected on EnterpriseOne. These investments are part of the Nebraska Miscellaneous Trust Fund. Additional information on the Miscellaneous Trust Fund can be found in the State of Nebraska's CAFR.

7. Deposits to/from Common Funds

The Natural Resources Water Quality Cash Fund is common to the NDA and the Department of Natural Resources. The NDA collects pesticide registration fees, in accordance with Neb. Rev. Stat. § 2-2634 (Cum. Supp. 2014), of which a portion is remitted to the Natural Resources Water Quality Cash Fund. The NDA also collects commercial applicator license fees, in accordance with Neb. Rev. Stat. § 2-2638 (Cum. Supp. 2014), which is remitted to the Natural Resources Water Quality Cash Fund. Finally, the NDA collects private applicator license fees, in accordance with Neb. Rev. Stat. § 2-2641 (Cum. Supp. 2014), which are remitted to the Natural Resources Water Quality Cash Fund. For the above fees, the NDA deposited \$1,201,726 to the Natural Resources Water Quality Cash Fund for the calendar year ended December 31, 2014.

The Permanent School Fund is a common fund shared with several other State agencies. All amounts contributed to this fund are reflected in the fund balances of the Nebraska State Treasurer. The State Constitution requires fines and penalties arising under the general laws of the State – for the NDA, Neb. Rev. Stat. § 2-10,103.02(2) (Cum. Supp. 2014) and Neb. Rev. Stat. § 2-2651(1) (Reissue 2012) – to be used for the support of the common schools in the respective subdivisions where the same may accrue. The NDA deposited \$9,650 in fines and penalties to the Common School Fund for Calendar year ended December 31, 2014.

NEBRASKA DEPARTMENT OF AGRICULTURE

NOTES TO THE SCHEDULE

(Concluded)

7. Deposits to/from Common Funds (Concluded)

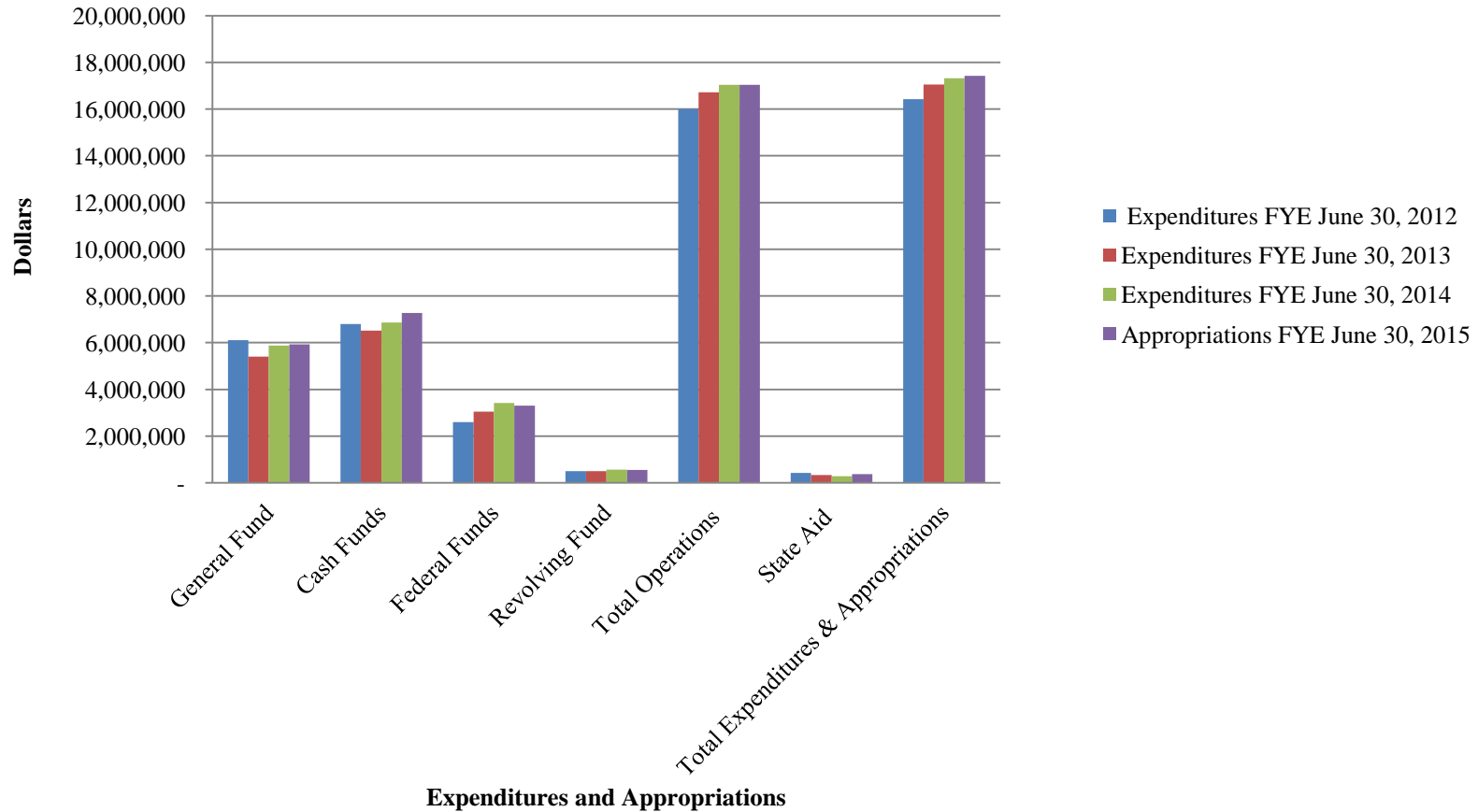
The Winery and Grape Producers Promotion Cash Fund is shared by the NDA and the Nebraska Liquor Control Commission. Each Nebraska winery must pay to the Nebraska Liquor Control Commission \$20 for every 160 gallons of juice produced or received by its facility, in accordance with Neb. Rev. Stat. § 53-304 (Reissue 2010). For administrative purposes, the fund is located in the NDA. All revenue credited to the fund is to be used by the NDA, at the direction of and in cooperation with the Nebraska Grape and Winery Board, to develop and maintain programs for the research and advancement of the growing, selling, marketing, and promotion of grapes, fruits, berries, honey, and other agricultural products and their byproducts grown and produced in Nebraska for use in the wine industry. The Liquor Control Commission deposited \$188,617 into the fund for calendar year ended December 31, 2014.

NEBRASKA DEPARTMENT OF AGRICULTURE

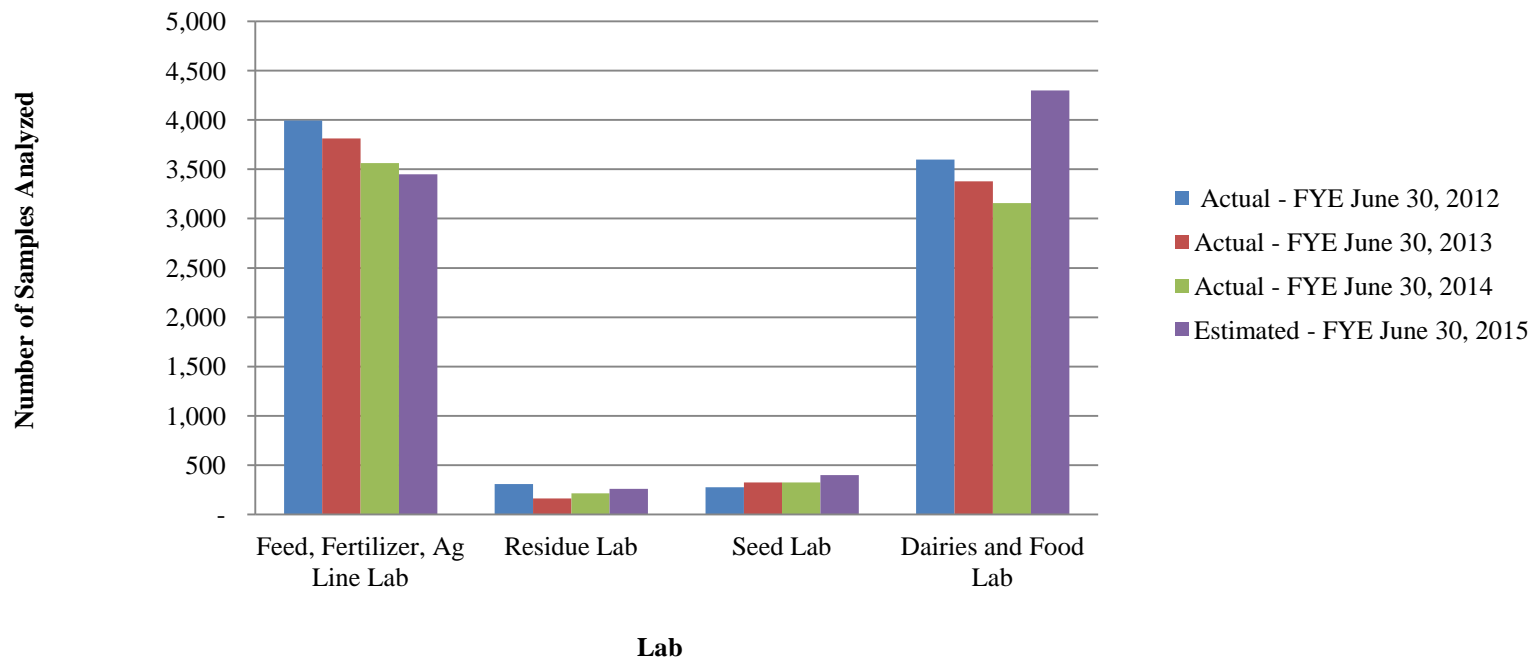
SUPPLEMENTARY INFORMATION

Our examination was conducted for the purpose of forming an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances. Supplementary information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination of the Schedule of Revenues, Expenditures, and Changes in Fund Balances; accordingly, we express no opinion on it.

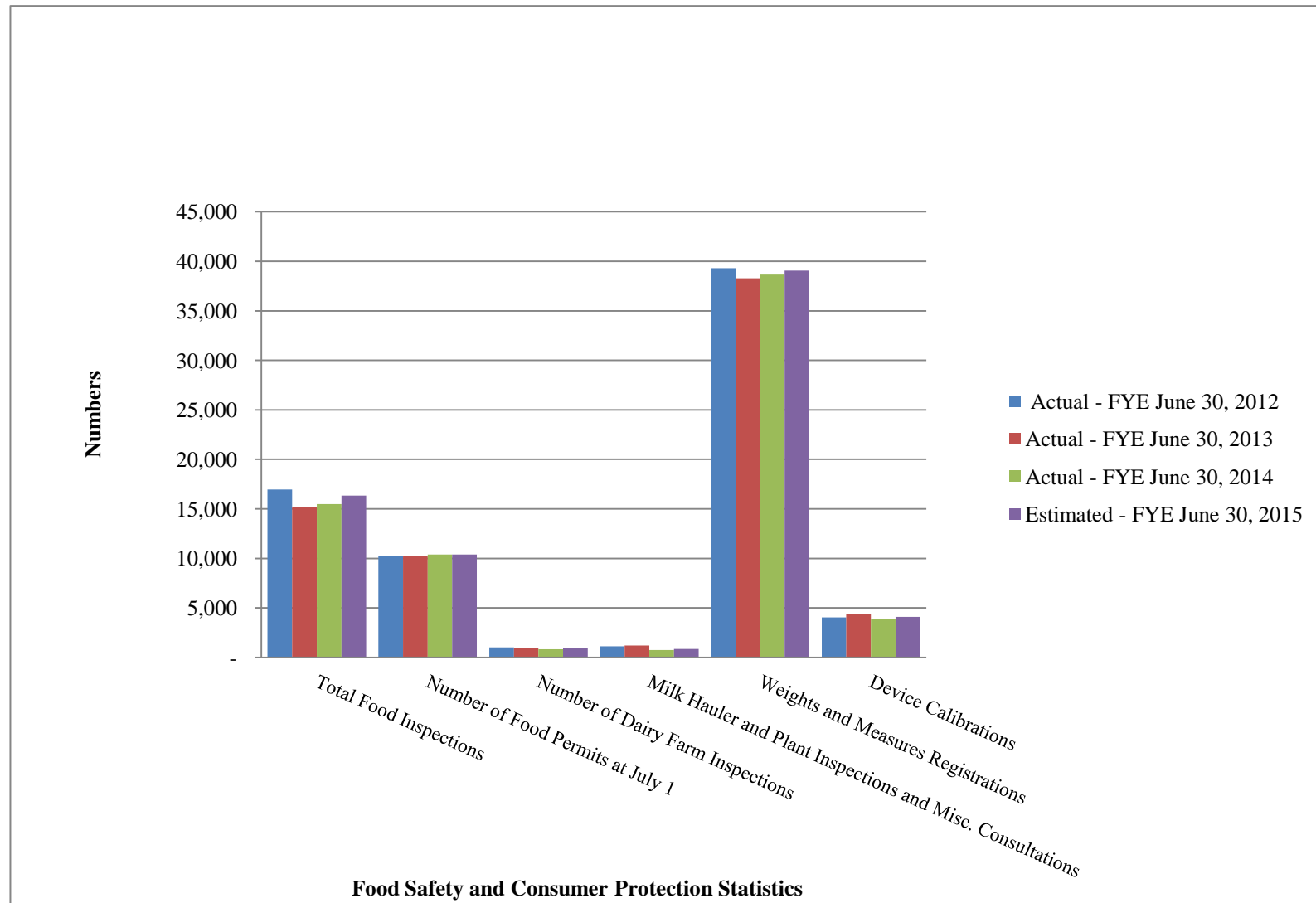
NEBRASKA DEPARTMENT OF AGRICULTURE
EXPENDITURES AND APPROPRIATIONS
For the Fiscal Years Ended June 30, 2012, through 2015



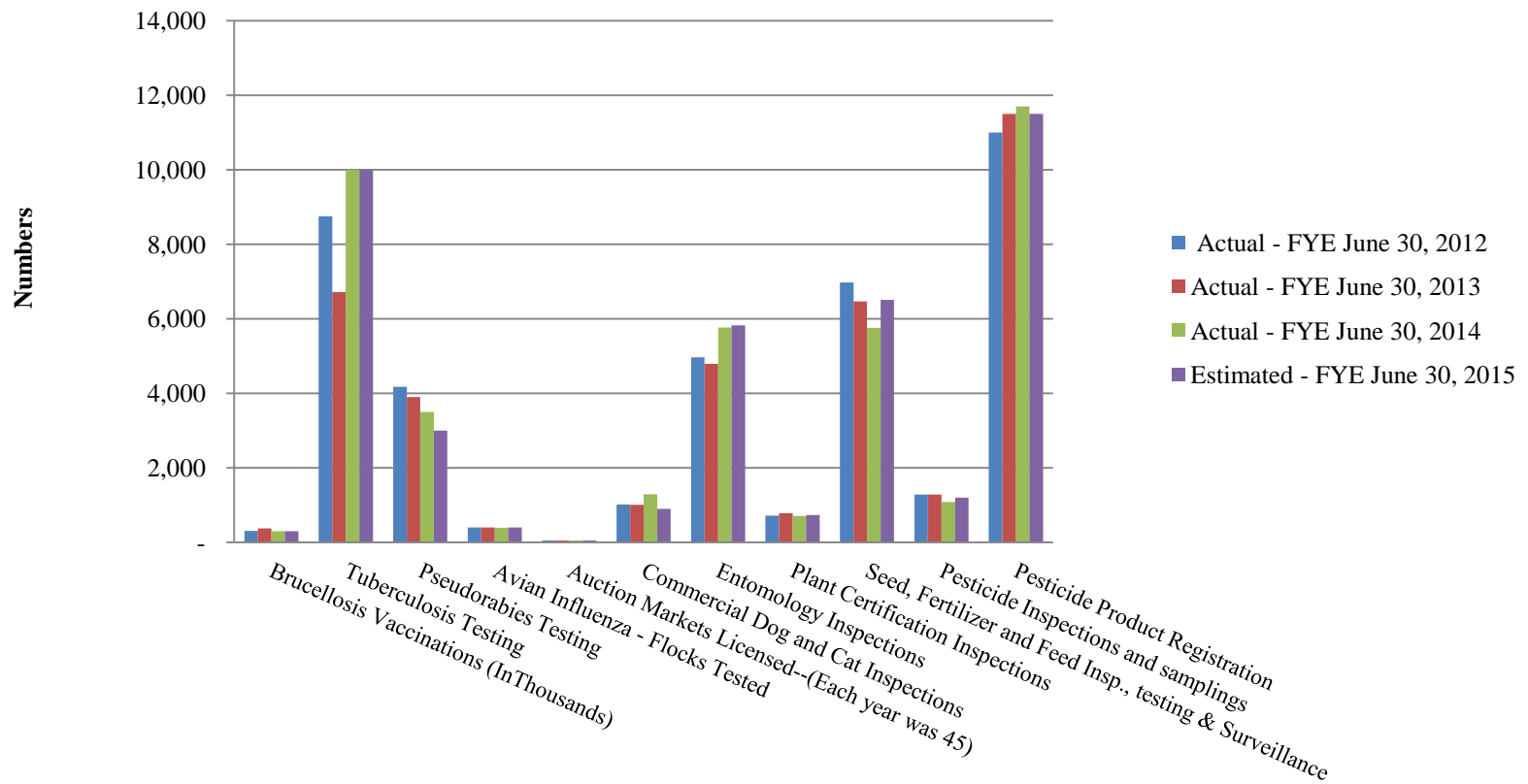
NEBRASKA DEPARTMENT OF AGRICULTURE
SAMPLES ANALYZED - BY LAB
For the Fiscal Years Ended June 30, 2012, through 2015



NEBRASKA DEPARTMENT OF AGRICULTURE
FOOD SAFETY AND CONSUMER PROTECTION STATISTICS
 For the Fiscal Years Ended June 30, 2012, through 2015



NEBRASKA DEPARTMENT OF AGRICULTURE
ANIMAL AND PLANT HEALTH STATISTICS
For the Fiscal Years Ended June 30, 2012, through 2015



Animal and Plant Health Protection Statistics