ATTESTATION REPORT
OF THE
NEBRASKA BRAND COMMITTEE

JANUARY 1, 2015 THROUGH MAY 31, 2016

Issued on July 26, 2016

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Audit Staff Working On This Examination

Craig Kubicek, CPA, CFE – Assistant Deputy
Christina Wusk, CFE – Auditor-In-Charge
Steve Fricke – Auditor II
Emily Parker – Auditor II

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Nebraska Auditor of Public Accounts
State Capitol, Suite 2303
P.O. Box 98917
Lincoln, Nebraska 68509
Phone: 402-471-2111

NEBRASKA BRAND COMMITTEE

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BACKGROUND

The Nebraska Brand Committee (Committee) was created in 1941 to protect livestock owners through brand recording, brand inspection, and theft investigation. Per the Livestock Brand Act, which is set out at Neb. Rev. Stat. §§ 54-170 to 54-1,131 (Reissue 2010, Cum. Supp. 2014, Supp. 2015), the Committee is composed of five members appointed by the Governor to four-year terms. Three members must be active cattlepersons and at least one member must be an active cattle feeder. The Secretary of State and the Director of Agriculture, or their designees, are also nonvoting ex officio members of the Committee.

The following are the primary duties of the Brand Committee:

- Maintain records of all brand transactions;
- Investigate thefts or missing livestock; and
- Inspect cattle moved outside the brand area or that change ownership.

The Committee is self supporting, operating on the proceeds collected from the inspection of cattle and recording of brands. As of May 31, 2016, the Committee had 51 full-time and 48 intermittent employees.

The Nebraska Brand Committee Annual Report for fiscal year end June 30, 2015, noted the number of cattle inspected by year, as follows:

Fiscal Year	Cattle Inspected
2010-2011	3,756,505
2011-2012	3,799,377
2012-2013	4,032,540
2013-2014	3,435,344
2014-2015	3,434,835

KEY OFFICIALS AND AGENCY CONTACT INFORMATION

Nebraska Brand Committee Board Members

Jerry Kuenning
Chairperson, Feeder
Term Ending August 28, 2016

Jeff Metz
Committee Member, Cattleperson
Term Ending August 28, 2017

John Widdowson
Vice-Chairperson, Cattleperson
Term Ending August 28, 2019

Jerry Meyring
Committee Member, Rancher
Term Ending August 28, 2018

Jaclyn Wilson
Committee Member, Cattleperson
Term Ending August 28, 2019

Honorable John Gale
Ex-Officio (Secretary of State)

Greg Ibach
Ex-Officio (Director, NE Department of Agriculture)

Nebraska Brand Committee Executive Management

Shawn Harvey
Executive Director

Paul Beaver
Assistant Executive Director

Nebraska Brand Committee
411 Niobrara Ave.
P.O. Box 69301
Alliance, NE 69301
https://nbc.nebraska.gov

SUMMARY OF COMMENTS

During our examination of the Nebraska Brand Committee (Committee), we noted certain deficiencies and other operational matters that are presented here. The following comments are required to be reported in accordance with *Government Auditing Standards*: Comment #5 and #6, which are considered to be significant deficiencies.

By using qualifying words such as "alleged" or "allegedly" in comments to describe certain incidents or activities, the APA seeks to avoid the possibility that a report comment might be mistaken as containing an imputation of criminality. However, utilization of such modifying terms is not meant to indicate a lack of supporting documentation for the report comment or any insufficiency or other shortcoming relating thereto.

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

1. ***State Vehicle Usage:*** The Executive Director utilized a State-owned vehicle for personal use. Also, other inspectors were allowed to use their State-owned vehicles for non-work activities.

2. ***Proof of Ownership:*** The Executive Director ordered release of proceeds from the sale of livestock even though the proof of ownership had not yet been provided, as required by State statute.

3. ***Backdated Form:*** The Executive Director allegedly backdated the approval of an employee disciplinary form on file prior to giving the form to the APA.

4. ***Personal Vehicle Mileage:*** The reimbursement for personal mileage to inspectors was significant, with no cost analysis being considered. Also, three of the five Committee-owned vehicles were underutilized.

5. ***Receipt Procedures:*** The Committee lacked adequate policies and procedures for determining the amount of inspection fees and other certificate costs that should be collected. This resulted in uncashed/lost checks, significant receipt lag time from when inspections were completed, and increased risk of loss of the Committee's funds.

6. ***Estray Fund:*** Certain issues were identified within the Committee's estray fund procedures, including checks being lost, cases not being properly turned over to the Alliance office timely, and money not being remitted to the Permanent School fund, as required by State statute.

7. ***Untimely Deposits:*** It was noted that 8 of 35 receipts tested were not deposited timely, as required by State statute. Also, five other receipts could not be tested for timeliness, as the date received was not documented.

8. ***Ammunition Purchase:*** The Committee purchased ammunition for a firearm not owned by the agency. The agency allows inspectors to carry personal firearms if they are certified.

9. ***Cleaning Contract:*** The Committee was paying on an expired contract entered into with a Committee employee.

SUMMARY OF COMMENTS
(Concluded)

10. ***NADC Filings:*** Two Committee Board members did not file the Statement of Financial Interest form with the Nebraska Accountability and Disclosure Commission (NADC), as required by State statute.

11. ***Leave Balances:*** The Committee allowed accumulation of compensatory leave balances in excess of the maximum allowed amount. The APA also identified terminated employees with negative leave balances.

12. ***Intermittent Brand Inspector Benefits:*** The Committee lacked procedures to monitor the status of the intermittent employees and their hours to determine if they should be receiving benefits.

13. ***Payroll Issues:*** The Brand Committee failed to follow payroll procedures outlined in its employee handbook on several instances.

14. ***Longevity Pay:*** The Committee is one of the few, if not the only, State agency that provides longevity pay to employees. As longevity is compounded and entered manually into the payroll system, errors were noted.

15. ***Travel Testing:*** There was no travel policy for employees who were not inspectors. The Committee's review of inspectors' mileage reimbursements were inadequate, resulting in expenses being paid without sufficient information provided. Because mileage was not recalculated, certain individuals were over reimbursed.

16. ***Outside Legal Counsel Not Approved:*** The Brand Committee maintained a legal counsel position without proper written approval from the Attorney General's office.

17. ***Statutory Fees:*** The Committee charged a fee of $100 per application for brand leases and an inspection fee of $1 per head for horses. There is no statutory authority for these fees charged.

18. ***Fixed Assets:*** The Committee lacked procedures to ensure that its fixed assets were properly recorded and monitored within the State's accounting system. This resulted in capitalization of a purchase that did not meet the capitalization requirements.

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 Committee.

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

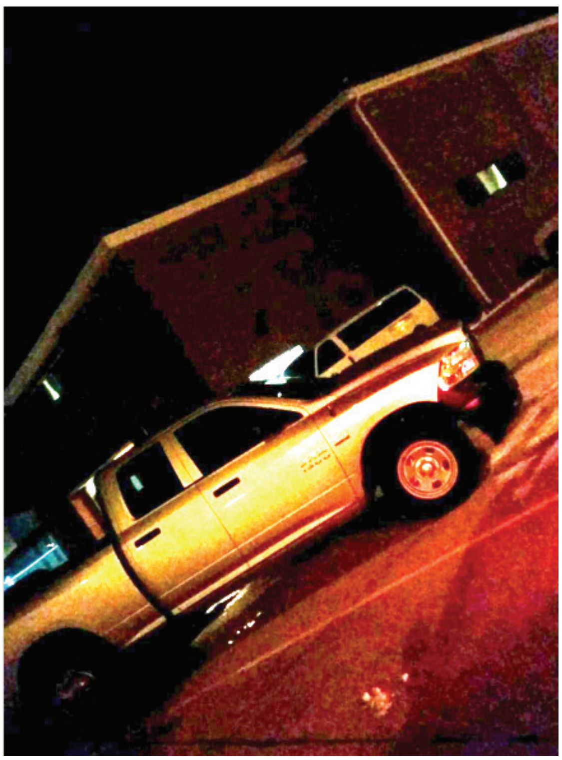
COMMENTS AND RECOMMENDATIONS

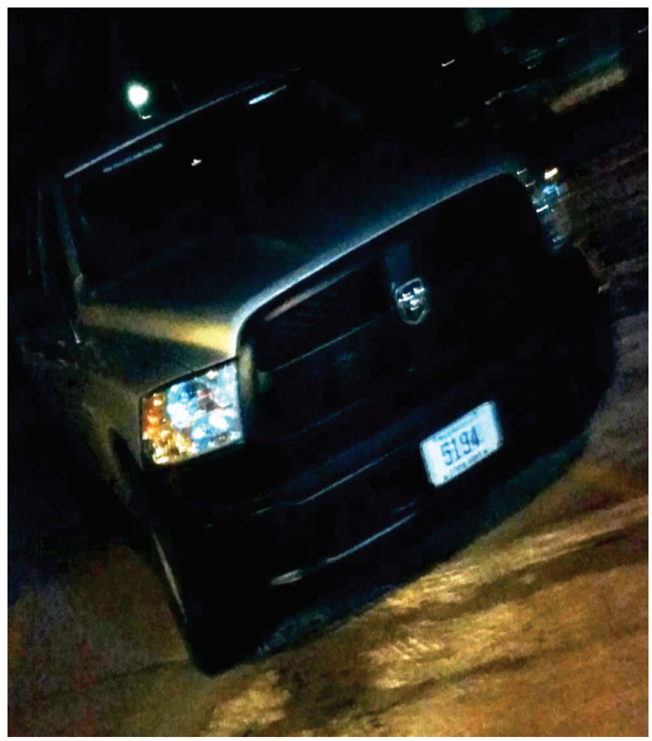
1. State Vehicle Usage

The APA has both a hotline telephone number and an email address through which Nebraskans may lodge anonymous complaints regarding suspected waste, mismanagement, or fraud within government. The APA has received numerous allegations that the Executive Director and other Committee employees use their State vehicles for personal use. According to several individuals, such personal use of State vehicles has occurred for years.

The APA was provided with pictures of the Executive Director's State truck parked at the Mitchell Elementary School parking lot on January 4, 2016, at 6:40 p.m., while attending and coaching the girls basketball practice. The Executive Director has a part-time job as an assistant girls basketball coach for Mitchell Public Schools.

The following pictures were received by the APA:





On May 27, 2016, the APA received piecemeal correspondence regarding this specific incident and how it was handled internally.

Included in the correspondence was a February 15, 2016, email message from a Committee member to the Executive Director, requesting that the use of State vehicles be added as an agenda item to the next Committee meeting. The Executive Director's response on the next day contained the following:

1. <u>State Vehicle Usage</u> (Continued)

> *The question of stopping somewhere to conduct personal business on the way home while traveling in a state vehicle is an area that will have to be handled on a case by case basis as the state policy is that the route must not be diverted off of the direct route to and from work. Many times things are done within that direct route so we will have to determine whether this is acceptable or not.*
>
> *Even though this could and possibly should be discussed by the committee, I feel making it an agenda item could create some issues within the public that none of us want. As you and I both know, there are eyes and ears at our meetings that like to twist things a little out of proportion at times.*

On June 7, 2016, the APA asked the Executive Director how many times his State-owned vehicle was used for personal use similar to the example above. He stated that the vehicle was always used as part of his direct route between his home in Mitchell, NE, and the Committee's office located more than 60 miles away in Alliance, NE.

The Nebraska Brand Committee Policy Regarding Outside Employment contains the following unambiguous directive:

> *You will not be allowed to use your state vehicle while going to or from your part time job.*

In addition, Neb. Rev. Stat. § 81-1024 (Reissue 2014) prohibits the personal use of State vehicles as follows:

> *No officer or employee of the State of Nebraska shall use any motor vehicle owned by the State of Nebraska for any personal use whatsoever. Any officer or employee who violates any of the provisions of this section shall be deemed guilty of a Class V misdemeanor, and in addition thereto the officer or employee shall be deemed guilty of official misconduct in office for palpable omission of duty, and upon conviction thereof the court shall have the power to add to the judgment that any officer or employee so convicted shall be removed from office or employment.*

On June 8, 2016, the APA also questioned the Executive Director about an out-of-State trip that he took to Cheyenne, WY, on January 12, 2016. The Executive Director claimed that he drove his State-owned vehicle there to meet with the Director of the Wyoming Livestock Board, Mr. Steve True; however, he could provide no documentation to support the claimed meeting.

On June 9, 2016, due to the lack of supporting documentation, the APA contacted Mr. True to confirm the meeting claimed by the Director. Mr. True stated unequivocally that he did not meet with the Executive Director. Mr. True explained that he was interviewing for other positions on that day, and nothing was on his calendar to support such a meeting. Mr. True concluded by saying that he would remember if he had met with the Executive Director of the Nebraska Brand Committee.

After obtaining this new information, the APA asked the Executive Director again about the claimed meeting in Wyoming, explaining that Mr. True denied having met with him. The Executive Director responded that it was a short meeting. However, per the mileage log, the Executive Director was in travel status from 5:50 a.m. through 1:15 p.m. Consequently, it is unclear why the Executive Director went to Cheyenne, as he produced no documentation to support his disputed meeting with Mr. True.

COMMENTS AND RECOMMENDATIONS
(Continued)

1. <u>State Vehicle Usage</u> (Continued)

Interestingly, on the same day that the Executive Director claims to have met with Mr. True, the Mitchell High School girls basketball team played at Burns, WY – which is less than 30 miles from Cheyenne, WY, where the earlier meeting supposedly took place. The Executive Director denies driving the State vehicle to the basketball game, however. He claims instead to have driven back to his home in Mitchell, NE, following his unconfirmed meeting with Mr. True. There, the Director supposedly exchanged the State car for his personal vehicle, which he then drove immediately back to Wyoming to attend the basketball game in Burns – a round trip of almost 200 miles. No supporting documentation was provided for this, however.

Currently, the Executive Director is no longer using the State vehicle for his daily commute back and forth from his Mitchell, NE, home to the Committee's office in Alliance, NE. Despite not informing the other investigators of the prohibition against using a State vehicle for personal use, including picking up or dropping off their children from school, the Executive Director does acknowledge the existence of such a restriction.

The Committee's Employee Handbook, under the heading "Minor Children and Other Non-Employees in the Work Place," states the following:

> *When you are performing official tasks for the Nebraska Brand Committee, and either driving your own vehicle for which you are being reimbursed mileage, or driving a state vehicle, we direct you not to take minor children with you.*

In addition to the specific constraints upon State vehicle usage found in the Committee's governing documents, the Nebraska Political Accountability and Disclosure Act forbids public officials or employees from using public property for personal gain. Specifically, Neb. Rev. Stat. § 49-14,101.01(2) (Reissue 2010) provides the following:

> *A public official or public employee shall not use or authorize the use of personnel, resources, property, or funds under his or her official care and control other than in accordance with prescribed constitutional, statutory, and regulatory procedures or use such items, other than compensation provided by law, for personal financial gain.*

Per subsection (7) of that same statute, "[A]ny person violating this section shall be guilty of a Class III misdemeanor . . . ."

Without procedures to ensure that State vehicles are used only for official business purposes, there is an increased risk for not only misuse of public property but also non-compliance with both Committee regulations and State law.

> We recommend the Committee enforce its internal policy, employee handbook, and related statutes prohibiting the personal use of State-owned motor vehicles. Because the present comment points to possible violations of State law, including the Nebraska Political Accountability and Disclosure Act, we are forwarding this information to both the Nebraska Attorney General and the Nebraska Accountability and Disclosure Commission for further review.

COMMENTS AND RECOMMENDATIONS
(Continued)

1. State Vehicle Usage (Continued)

Director's Response: The Mitchell Elementary School is located approximately 200 yards from the turn off taken to the Executive Director's residence. The Executive Director assures the Committee that the stop was only made in route to the travel home, and he did not realize that a stop in route was unacceptable. When the issue was brought to the attention of the Executive Director, the decision was made to leave the state vehicle at the Alliance Office to avoid any confusion or assumed misuse of the state vehicle during travel to and from his residence. This decision was also made to help reduce any additional costs and wear and tear on the state vehicle.

The Executive Director assures the Committee that the meeting on January 12, 2016 to Cheyenne, WY was for business purposes only and that he is not aware why the Director of Wyoming does not remember having the meeting, but that it was not a formal, agenda type meeting and that the Wyoming Director was busy with getting things ready for other meetings he had scheduled that week. The context of the meeting was to discuss the possibility of an open market agreement with Wyoming and Nebraska for the bordering livestock markets as had been done in the past. The Executive Director assures the Committee that he returned to his Mitchell residence with the state vehicle and a bit later in the day, attended a basketball game in Burns, traveling on an activity bus from the Mitchell High School along with five other coaches, a bus driver, and 35-40 high school students. The Executive Director did not drive a personal vehicle back to Burns after the business trip to Cheyenne. The Executive Director can provide the Committee witness statements from the six adults who were on the bus to Burns stating he was in attendance on the bus with them. The Executive Director can also provide, upon request, a witness statement to verify that the state vehicle in question was parked in his garage in Mitchell at 5:30-6:00 p.m. the evening of January 12, 2016. This would make it impossible for the state vehicle to be in Burns as the basketball games there did not end until after 8:00 p.m.

The Committee and the Executive Director will be reviewing all policies and laws pertaining to the use of a state vehicle by a state employee. The Committee holds the titles on all vehicles the assigned employees drive and the vehicles are designated as special-use vehicles and are not considered TSB owned vehicles. This has caused confusion for many years for the Committee and staff, and the correct usage will need to be addressed and policy will be put in place to give the employees the correct guidance and proper procedure to follow when it comes to the allowed usage of the state vehicles assigned to them.

Committee Response: Director Harvey called me (Chairperson Kuenning) the following morning stating that he had stopped to help coach the freshman girls' basketball team practice. He also stated per the conversation, that he would no longer be using a state vehicle for driving to and from work or for any use that may be perceived as personal use. The committee will review the present policy we now have and will adopt any changes deemed necessary. We were made aware of both the stop at Mitchell Elementary School and the trip to Cheyenne Wyoming. It will be the Brand Committee's responsibility to see that no abuse of state vehicles occurs and to take any necessary action per board policy.

COMMENTS AND RECOMMENDATIONS
(Continued)

1. State Vehicle Usage (Concluded)

APA Response: Whether the distance is 200 yards or 200 miles, both State law and the Committee's own policy clearly prohibit the personal use of State vehicles. The APA received several other allegations regarding the Executive Director use of his State's vehicle for personal use; however, this was the only occasion in which photographs supported such use.

After receiving the Executive Director's response, the APA contacted Mr. True again regarding the alleged meeting on January 12, 2016. Per that most recent telephone conversation with Mr. True, which occurred on July 25, 2016, the internal procedure of the Wyoming Livestock Association is to have anyone meeting with staff in Cheyenne to sign the visitor log. A review of the Wyoming Livestock Board's visitor log confirmed that the Executive Director was not in that office on January 12, 2016. Mr. True also reviewed his phone log and had no calls to or from the Executive Director during that time. He also checked with others within the office, including his Executive Assistant, and none of them remembered meeting with or seeing the Executive Director in Cheyenne around that time. Mr. True stated that he had discussed the open range options with the Executive Director while attending a conference in Reno; however, not in Cheyenne on the January 12th.

On July 22, 2016, the Assistant Executive Director resigned from his employment within the Committee. Soon thereafter, he provided the APA with a written explanation for his sudden resignation. That statement said, in part, the following: "The reason I resigned is that I do not feel the response was adequate from the Committee and Executive Director, meaning business as usual at the Brand Committee."

2. Proof of Ownership

Neb. Rev. Stat. § 54-1,118 (Reissue 2010) governs proof of ownership for livestock inspected by the Committee, as follows:

> *If ownership of the livestock is not established, the livestock may be sold, and the selling agent who sells such livestock shall hold the proceeds of the sale. . . .*
>
> *The shipper or seller of the livestock is required to establish ownership of such livestock within sixty days after its sale. If such shipper or seller establishes ownership of such livestock, the Nebraska Brand Committee shall order the selling agent of such livestock to pay the proceeds of sale to the shipper or seller. If such shipper or seller fails to establish ownership within the sixty days, such livestock shall be considered an estray and the Nebraska Brand Committee shall order the selling agent to pay the proceeds of sale over to the brand committee.*

On November 2, 2015, Nebraska Beef, a cattle seller operating out of Gordon, NE, delivered 20 cows and one bull to Gibbon Packing in Gibbon, NE. Upon inspection, however, questions arose regarding proof of ownership for eight of the cows and the one bull. As a result, the local brand inspector placed a hold on the sale proceeds for these cattle until the proper documentation could be provided. The inspector also sent the following letter to Nebraska Beef:

COMMENTS AND RECOMMENDATIONS
(Continued)

2. <u>Proof of Ownership</u> (Continued)

Nebraska Brand Committee
Kearney Office
816 E 25th Suite 5
Kearney, NE 68847

Nebraska Beef
%Butch Stanko
120 W Us Highway 20
Gordon, Nebraska 69343

Dear Mr. Stanko,

On November 2, 2015 twenty head of cows and one bull were delivered to Gibbon Packing of Gibbon, Nebraska for harvest. Of the twenty cows and one bull, we currently have a hold on the following cattle as displayed below. Please forward all original proof of ownership to the address above to clear the hold on the proceeds of these cattle.

1 BLK COW — LH
1 BWF COW — LR, RH
1 BLK BULL — LH, X LR
1 BLK COW — (BIG) RR
1 RED COW — NOBRAND
1 WHT LONGHORN — VV RH
1 BLK COW — LH
1 BLK COW — H LR, H LH, LH
1 BLK COW — V LH

Proof of ownership is required when selling cattle within the brand inspection area in the state of Nebraska.(i.e. Salebarn Clearances, Local Brand Inspection Certificates, Bills of Sale, Out of Area Purchase Sheets, Out of State Health Papers) Please forward any and all proof of ownership documents to the Kearney brand Office at the address listed above.
<u>ORIGINAL DOCUMENTS ONLY. (NO COPIES OR FAXES)</u>

Any questions regarding this matter please call **(308) 865-5400**
Our office hours are Monday through Friday 8:00am to 5:00 pm

Thank You

Stephanie A. Nelson
Stephanie A. Nelson
Brand Inspector - Kearney, NE

On December 3, 2015, even though the proof of ownership had yet to be provided pursuant to § 54-1,118, the Executive Director ordered the release of the sale proceeds to Nebraska Beef. As of June 8, 2016, the Committee had still not received the required proof of ownership paperwork.

When questioned about this particular transaction, the Executive Director claimed that the Committee was going to follow up on the needed paperwork; however, those documents remain unaccounted for some seven months later.

Per discussions with inspectors at the Kearney branch office, the Executive Director's actions in releasing the sale proceeds prior to receiving documentation of ownership appear to have been irregular, especially in light of both an express statutory mandate to the contrary and correlative internal procedures for handling such situations.

While researching this particular case, the APA found that the owner of Nebraska Beef had a criminal record involving previous felony convictions – including selling rejected meat, illegally possessing firearms, and social security fraud – making adherence to both the statutory requirement and the Committee's internal guidelines all the more essential.

COMMENTS AND RECOMMENDATIONS
(Continued)

2. Proof of Ownership (Continued)

The Executive Director's apparent failure to carry out the requirements of § 54-1,118 gives rise to concerns regarding possible official misconduct on his part. Neb. Rev. Stat. § 28-924 (Reissue 2008) provides the following:

> *(1) A public servant commits official misconduct if he knowingly violates any statute or lawfully adopted rule or regulation relating to his official duties.*
>
> *(2) Official misconduct is a Class II misdemeanor.*

Those who work for the Committee, especially the Executive Director, must exercise extreme caution to avoid any action that could constitute either an apparent or actual disregard or contradiction of the laws that they are charged with administering.

> We recommend the Committee abide by and enforce all laws that fall within its purview. This would include ensuring that no employee, including the Executive Director, takes action that appears to disregard or contradict such laws. Because the present comment points to the possible violation of State law, we are forwarding this information to the Nebraska Attorney General for further review.

Director's Response: The Executive Director feels there was a lot of confusion and miscommunication involved with the transaction that took place at the Gibbon Pack plant regarding the hold on the proceeds for cattle sold by Nebraska Beef of Gordon, NE. The Executive Director received a complaint call from the owner of Nebraska Beef stating he was upset because his money had been held at the Gibbon Pack plant by the brand inspectors. The Executive Director made several phone calls back and forth between the Kearney Brand Office staff, the Area IV Investigator/Supervisor, the inspector in-charge in the Gordon area, the inspector in-charge in the Crawford area (where the cattle in question were allegedly purchased), and the owner of Nebraska Beef. Through all the conversations it was explained to the Executive Director that the paperwork was corrected out of Crawford and was in the possession of an NBC employee and being sent to the Kearney Brand Office. The Executive Director felt that because the hold was created because of a potential inspector error and that the correct paperwork was in NBC possession, the proceeds could be released. The Executive Director states that the Kearney Brand Office was told to only release the proceeds, but at no time did he state to them to clear the hold without proper paperwork. With the number of calls and people involved with this issue, the Executive Director feels something may have gotten miscommunicated in the discussion with the Kearney Office staff. The Executive Director was not made aware until June 7, 2016, that the hold had been cleared without proper paperwork and that the paperwork that was being sent from the Crawford inspector was never received by the Kearney Brand Office.

2. Proof of Ownership (Concluded)

The Committee and the Executive Director will ensure the proper paperwork is located and attached to the tally for the cattle sold by Nebraska Beef at Gibbon Pack on November 2, 2015. The Committee will ensure that all laws are abided by and enforced by all employees including the Executive Director.

Committee Response: This situation is very difficult. There has not been one meeting in the last 4 years that we have not discussed Nebraska Beef, the cattle seller. Due to the number of ongoing court cases in the court system with this producer, we have received some push back from county attorneys with cases involving Nebraska Beef. With that being said, it is still the Brand Committee's duty to see that everyone is treated equally and fairly. Proceeds from a hold will not be released without following the policy and Nebraska State Statute. The Brand Committee takes this very seriously and non-compliance will not be tolerated. The current procedures must be followed.

APA Response: While there may have been confusion or miscommunication regarding the required paperwork, the Executive Director told the Kearney Brand Office to release the proceeds despite them not yet having the required documentation supporting the proof of ownership. This goes directly against the requirements of § 54-1,118.

3. Backdated Form

A standard auditing procedure is to review documentation pertaining to all personnel disciplinary action taken by the audited entity during the period examined. In response to the APA's request for any such records, the Executive Director appears to have backdated to May 2, 2016, his approval of an employee's refusal to sign a disciplinary form.

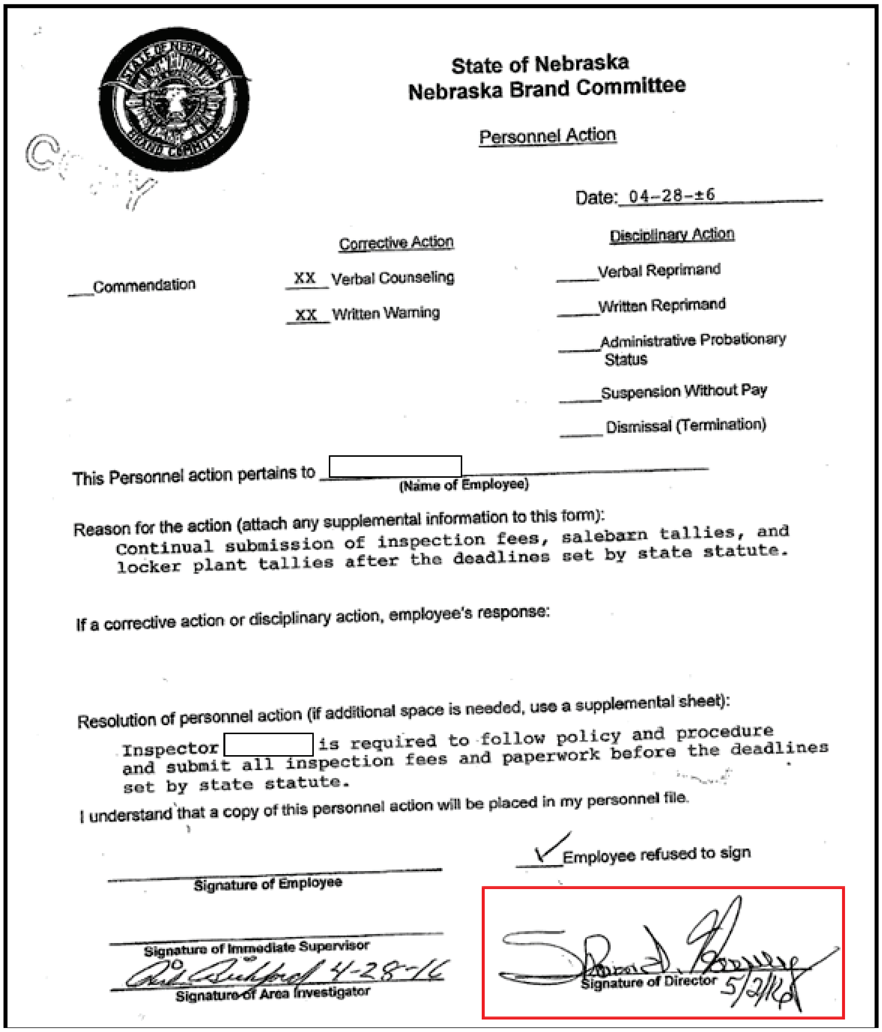
The disciplinary form in question was not mailed to the employee for his signature until April 28, 2016. Given that the three days in between when the form was supposedly mailed and the response was made were a holiday and a weekend, the APA doubted that the employee could have notified the Executive Director of his refusal to sign it so quickly. The APA contacted the employee, who denied refusing to sign the form prior to the May 2 date.

Additionally, the APA contacted the area investigator who had initially filled out the disciplinary form, and he also questioned the authenticity of the May 2, 2016, date.

COMMENTS AND RECOMMENDATIONS
(Continued)

3. **<u>Backdated Form</u>** (Continued)

The APA has included a copy of the form below:



State of Nebraska
Nebraska Brand Committee

Personnel Action

Date: 04-28-±6

___ Commendation

Corrective Action
XX Verbal Counseling
XX Written Warning

Disciplinary Action
___ Verbal Reprimand
___ Written Reprimand
___ Administrative Probationary Status
___ Suspension Without Pay
___ Dismissal (Termination)

This Personnel action pertains to [redacted] (Name of Employee)

Reason for the action (attach any supplemental information to this form):
Continual submission of inspection fees, salebarn tallies, and locker plant tallies after the deadlines set by state statute.

If a corrective action or disciplinary action, employee's response:

Resolution of personnel action (if additional space is needed, use a supplemental sheet):
Inspector [redacted] is required to follow policy and procedure and submit all inspection fees and paperwork before the deadlines set by state statute.

I understand that a copy of this personnel action will be placed in my personnel file.

✓ Employee refused to sign

Signature of Employee

Signature of Immediate Supervisor

4-28-16
Signature of Area Investigator

Signature of Director 5/2/16

Neb. Rev. Stat. § 28-911 (Reissue 2008) states, in part, the following:

(1) A person commits abuse of public records, if:

(a) He knowingly makes a false entry in or falsely alters any public record; or

* * * *

(d) He makes, presents, or uses any record, document, or thing, knowing it to be false, and with the intention that it be taken as a genuine part of the public record.

(2) As used in this section, the term public record includes all official books, papers, or records created, received, or used by or in any governmental office or agency.

(3) Abuse of public records is a Class II misdemeanor.

COMMENTS AND RECOMMENDATIONS
(Continued)

3. Backdated Form (Continued)

Additionally, Neb. Rev. Stat. § 84-305.01 (Supp. 2015) provides the following:

> *Any person who willfully fails to comply with the provisions of section 84-305 [which authorizes the APA to access "any and all information and records, confidential or otherwise, of any public entity"] or who otherwise willfully obstructs or hinders the conduct of an audit, examination, or related activity by the Auditor of Public Accounts or who willfully misleads or attempts to mislead any person charged with the duty of conducting such audit, examination, or related activity shall be guilty of a Class II misdemeanor.*

Per the Committee's Employee Handbook, under the heading "Executive Director/Chief Inspector/Chief Investigator," one of the Executive Director's duties is to make administrative decisions relating to inspector disciplinary matters. Backdating an employee disciplinary form before providing it in response to a request by the APA does not appear to constitute a proper exercise of that duty.

Backdating or otherwise altering official Committee documents not only impedes proper record keeping but also risks violating State law.

> We recommend the Committee implement procedures to ensure its official records are completed accurately and timely. Because the present comment points to the possible violation of State law, we are forwarding this information to the Nebraska Attorney General for further review.

Committee Response: The Executive Director received the Personnel Action form in question via email from the Area IV Supervisor on May 2, 2016. A note was also attached and supposedly sent to the employee for his review and signature. The Executive Director discussed the personnel action form with the Area IV Supervisor and asked if the original sent to the employee was going to be signed and returned and he stated he hoped but didn't know if we would ever get it back. The Area IV Supervisor explained that he had discussed the personnel action with the employee and he understood what it was about. The Executive Director never received the original personnel action form back, and when it was requested by APA, the copy was printed out and signed. The Executive Director signed the form May 2, 2016 only because that was the date it was received via email. The Executive Director felt at the time that was the date it would need to be signed with, but if that was incorrect, would like more direction on what date would have been correct. The Executive Director requests that all personnel action issues be handled in person and not done over the phone or through the mail. The Executive Director does not know why the Area IV Supervisor chose to send the personnel action form, especially with the problems with paperwork being submitted to the Alliance Office on time as the main focus of the personnel action.

The Committee and the Executive Director will review its policy and procedures to ensure all official records are completed accurately and timely. All supervisors will be directed to handle all personnel action issues in person with the employees so that any forms required can be reviewed, discussed, and signed properly by all parties involved.

COMMENTS AND RECOMMENDATIONS
(Continued)

3. Backdated Form (Concluded)

APA Response: As communicated in the response above, the Executive Director backdated the form to May 2, 2016, prior to giving that document to the APA. The APA would recommend not backdating any such form but instead using the date that the form was actually approved. In this particular instance, the APA would have expected the date to be June 8, 2016, which is when the Executive Director actually signed the form and gave it to the APA.

4. Personal Vehicle Mileage

The Committee reimburses employees for mileage when driving their personal vehicles to and from locations where cattle are to be inspected. However, the Committee has not recently analyzed or compared the cost of providing State vehicles to those employees whose duties entail regularly driving a significant number of miles on their personal vehicles. During the period tested, from January 1, 2015, through May 31, 2016, the Committee reimbursed its employees a total of $671,267 for personal vehicle mileage.

Several employees driving a large number of miles received significant reimbursements not only during the period tested but also over the most recent five fiscal years. The following is a summary of the top 10 employee mileage reimbursements by fiscal year.

Employee	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	Total
Employee 1	$13,463	$18,024	$15,074	$15,200	$13,888	**$75,649**
Employee 2	$14,076	$16,339	$15,601	$12,308	$10,948	**$69,272**
Employee 3	$12,953	$13,874	$14,192	$13,345	$10,511	**$64,875**
Employee 4	$12,830	$12,091	$11,399	$11,991	$12,768	**$61,079**
Employee 5	$10,889	$11,375	$10,708	$9,259	$10,282	**$52,513**
Employee 6	$6,515	$12,429	$11,191	$12,649	$9,654	**$52,438**
Employee 7	$11,197	$10,998	$10,459	$10,096	$8,111	**$50,861**
Employee 8	$9,945	$9,917	$10,035	$10,710	$9,889	**$50,496**
Employee 9	$11,292	$11,598	$8,309	$10,381	$8,238	**$49,818**
Employee 10	$9,037	$10,115	$7,531	$10,537	$9,940	**$47,160**
Totals	**$112,197**	**$126,760**	**$114,499**	**$116,476**	**$104,229**	**$574,161**
All Other Mileage Reimbursements During Last Five Fiscal Years						**$1,817,942**
Total From July 1, 2011 through May 31, 2016						**$2,392,103**

Note: The fiscal year 2016 amounts only go through May 31, 2016.

The Committee owns five vehicles, which are permanently assigned to employees not included in the chart above. Those employees are required to submit a vehicle log showing the beginning and ending mileage of each trip.

When testing the vehicle mileage for five months, December 2015 through April 2016, the APA noted that the following Committee vehicles were driven fewer than the 1,000 miles per month recommended by the Nebraska Administrative Services (DAS) Transportation Service Bureau:

COMMENTS AND RECOMMENDATIONS
(Continued)

4. Personal Vehicle Mileage (Concluded)

Vehicle	Number of Months Underutilized
2012 Ford F-150	4
2016 Dodge Ram 1500	2
2016 Dodge Ram 1500	2

Additionally, one employee's log was found to contain inconsistencies between each month's beginning and ending mileage, resulting in 1,087 miles being unrecorded.

While assorted fixed and variable costs, including gas and insurance, would need to be considered, the Committee should analytically compare the expense of reimbursing personal vehicle mileage to that of providing employees with State vehicles to determine the most economical method of employee transportation.

In the absence of such an analytical comparison, there is an increased risk that the most economic method of employee transportation will not be utilized.

> We recommend the Committee analytically compare the expense of reimbursing personal vehicle mileage to that of providing employees with State vehicles to determine the most economical method of employee transportation.

Committee Response: The Committee will conduct a cost comparison to establish the most economical use of funds to perform brand inspections. The Committee will implement correct policy to assure compliance with the requirements regarding State vehicle travel and mileage.

5. Receipt Procedures

As part of the Committee's duties, inspectors perform brand inspections at various locations across the State. An inspection certificate is issued for every inspection performed, and inspection fees are typically paid directly to the inspector. It is each inspector's responsibility to remit timely the fees collected, along with the inspection certificates issued, to the Committee's main office in Alliance, NE. During the period tested, approximately 90 inspectors had the ability to collect fees on behalf of the Committee.

The Committee lacked adequate procedures for determining the amount of inspection fees, as well as the accompanying number of certificates, that should be received. Furthermore, the Committee does not perform reconciliations of the number of inspections performed to the amount of fees collected per the inspection certificates processed by the Alliance office. This resulted in multiple errors being identified during the APA's testing.

COMMENTS AND RECOMMENDATIONS
(Continued)

5. <u>Receipt Procedures</u> (Continued)

a) Lost Checks

The Committee received a letter dated April 21, 2016, from Tyson Fresh Meats, Inc., (Tyson) as notification that four checks, totaling $9,786.75, issued in December 2015, were never cashed and remained outstanding.

The APA has included a copy of that letter below:

Tyson Fresh Meats, inc

TYSON OUTSTANDING CHECK STATUS REPORT

DATE: 4/21/2016

Our records indicate the following check remains uncashed.

Please return this letter to indicate if you need a replacement check or if you can cash the original check.

PRODUCERS NAME NEBRASKA BRAND COMMITTEE
PO BOX 954
LEXINGTON, NE 68850

CHECK NUMBER	DATE ISSUED	AMOUNT
1987428	12/18/2015	$4,307.25
1987743	12/23/2015	$2,772.75
1987744	12/23/2015	$264.75
2008927	12/30/2015	$2,442.00

______ The check was received and cashed (please enter date if known).

______ The check was not cashed but was replaced and cashed.

______ The check was issued to the wrong vendor.

✓ The check was never received, and must be replaced.

Please deduct any charges for stop pay or replacement from check amounts

______ The check was received but misplaced.

A $20.00 stop pay and replace charge will apply to all outstanding checks.
All status reports need to be received at corporate by May 6,2016
Please return this letter to : Tyson Fresh Meats Inc - 800 Stevens Port Drive,
Attn Sue Hansen-DD 723 , Dakota Dunes, SD 57049
Phone 605-235-2714
Fax 479-757-7463

The Committee then received another letter dated May 13, 2016, from Tyson as notification that an additional four checks, totaling $11,175, issued in January 2016 were never cashed and remained outstanding.

COMMENTS AND RECOMMENDATIONS
(Continued)

5. **Receipt Procedures** (Continued)

The APA has also included a copy of the letter below:

Tyson Fresh Meats, inc

Need found

TYSON OUTSTANDING CHECK STATUS REPORT

DATE: 5/13/2016

Our records indicate the following check remains uncashed.

Please return this letter to indicate if you need a replacement check or if you can cash the original check.

PRODUCERS NAME NEBRASKSA BRAND COMMITTEE
PO BOX 954
LEXINGTON, NE68850

CHECK NUMBER	DATE ISSUED	AMOUNT
2010133	1/15/2016	$4,293.00
2010513	1/21/2016	$2,373.00
2010603	1/22/2016	$2,115.75
2011058	1/28/2016	$2,393.25

__________ The check was received and cashed (please enter date if known).

__________ The check was not cashed but was replaced and cashed.

__________ The check was issued to the wrong vendor.

__________ The check was never received and must be replaced.

__________ The check was received but misplaced.

A $20.00 stop pay and replace charge will apply to all outstanding checks.
All status reports need to be received at corporate by May 27,2016
Please return this letter to : Tyson Fresh Meats Inc - 800 Stevens Port Drive,
Attn Sue Hansen-DD 723 , Dakota Dunes, SD 57049
Phone 605-235-2714
Fax 479-757-7463

The original checks were never found, and the Committee was unaware that they were missing until the letters were received from Tyson. The Checks were subsequently reissued by Tyson after deducting a $20 stop payment fee per check, as summarized in the following table:

Check Number	Date of Original Check	Date of Reissued Check	Amount of Check	Stop Payment Fee Charged	Reissued Check Amount	Deposit Date	Lag Time (Days) from Original Check
1987428	12/18/2015	4/27/2016	$4,307.25	$ (20.00)	$4,287.25	5/3/2016	137
1987743	12/23/2015	4/27/2016	$2,772.75	$ (20.00)	$2,752.75	5/3/2016	132
1987744	12/23/2015	4/27/2016	$264.75	$ (20.00)	$244.75	5/3/2016	132
2008927	12/30/2015	4/27/2016	$2,442.00	$ (20.00)	$2,422.00	5/3/2016	125
2010133	1/15/2016	5/19/2016	$4,293.00	$ (20.00)	$4,273.00	5/25/2016	131
2010513	1/21/2016	5/19/2016	$2,373.00	$ (20.00)	$2,353.00	5/25/2016	125
2010603	1/22/2016	5/19/2016	$2,115.75	$ (20.00)	$2,095.75	5/25/2016	124
2011058	1/28/2016	5/19/2016	$2,393.25	$ (20.00)	$2,373.25	5/25/2016	118
Totals			**$20,961.75**	**$ (160.00)**	**$20,801.75**		

COMMENTS AND RECOMMENDATIONS
(Continued)

5. **Receipt Procedures** (Continued)

The APA noted also that the Committee had no inspection tally sheets for Tyson related to the missing checks, which made it impossible to determine if the correct amount of inspection fees was received.

The Committee's Employee Handbook, under the heading "Tallies," states, in part, the following:

- *All tallies will be completed accurately and legibly.*
- *Tallies will be completed as soon as possible after the sale being completed and before the next sale.*
- *All tallies should be sent to the office for filing. Do not hold back any tallies that reflect holds until the hold has been cleared.*

Furthermore, the Committee's Employee Handbook, under the heading "Major Packing House Inspections," states, in part, the following:

- *Cattle inspected at major packing houses are subject to all paperwork and evidence of ownership requirements noted for other types of inspections*
- *All brand area packing plants are to be monitored daily by inspector to ascertain that all incoming cattle have proper inspection or documentation for slaughter*

A good internal control plan requires procedures to ensure that all monies received by the Committee are accounted for, and adequate documentation is maintained to support receipts.

Without such procedures, there is an increased risk of loss, theft, or misuse of State funds.

> We recommend the Committee implement procedures to ensure that all monies received are accounted for, and adequate documentation is maintained to support receipts.

b) Inspection Certificates

During testing of the Committee's receipts, we noted there was often a time lag from the date that the local inspection certificate was issued to the date that the certificate was processed in the Committee's main Alliance, NE, office.

Certificate Number	Inspection Fee Amount	Inspection Date	Date Fees Received by Alliance Office	Lag Time (Days)
28664A30	$325.50	12/18/2015	5/3/2016	137
22942A30	$112.50	11/8/2014	2/5/2015	89
47121A29	$490.00	2/26/2016	5/3/2016	67
11768A30	$272.50	5/6/2015	6/15/2015	40

COMMENTS AND RECOMMENDATIONS
(Continued)

5. <u>Receipt Procedures</u> (Continued)

Certificate Number	Inspection Fee Amount	Inspection Date	Date Fees Received by Alliance Office	Lag Time (Days)
35007A30	$286.00	4/11/2016	5/17/2016	36
10229A30	$232.00	5/12/2015	6/15/2015	34
29706A30	$127.00	4/19/2016	5/17/2016	28
35027A30	$112.00	4/20/2016	5/17/2016	27
32041A30	$126.00	3/18/2016	4/11/2016	24
46878A29	$304.25	3/21/2015	4/14/2015	24
15362A30	$156.75	1/27/2016	2/17/2016	21
09736A30	$369.25	3/27/2015	4/14/2015	18
09737A30	$343.75	3/28/2015	4/14/2015	17
46880A29	$113.50	3/28/2015	4/14/2015	17

Further, during testing of the Committee's receipts, we noted there was often a time lag from the date the Report on Sale Ring Inspection was performed to the date the report was processed in the Alliance office.

Sale Ring	Inspection Fee Amount	Inspection Date	Date Fees Received by Alliance Office	Lag Time (Days)
Broken Bow Livestock	$2,812.50	11/4/2014	12/24/2014	50
Gibbon Pack	$19,171.00	2/29/2016	4/12/2016	43
Gibbon Pack	$12,843.00	1/5/2015	2/11/2015	37
JBS Swift & Co	$388.00	3/28/2016	4/12/2016	15
Tyson Fresh Meats	$3,440.00	3/28/2016	4/12/2016	15

Additionally, the APA noted one Report on Sale Ring Inspection for the Gibbon Pack Sale Ring did not have a sale date noted by the inspector; therefore, there was no way to determine how long the report and fee collections were held prior to being sent to the Alliance Office.

The Committee's Employee Handbook, under the heading "Local Certificate, Inspections, Reports, Forms," requires remittance of all monies received on at least a weekly basis to the Committee's Alliance headquarters. Fees not collected at the time of inspection are to be collected and remitted to the Alliance headquarters by the 10th day of the following month, or the inspector must advise the Alliance office of the delay in writing. When there are significant delays in fees received when compared to the inspection dates, there is an increased risk for the loss of State funds.

> We recommend the Committee implement procedures to reconcile inspections performed to the amount of inspection fees received and number of certificates issued. We further recommend the Committee periodically review remittances by the inspectors to ensure their timeliness.

5. <u>Receipt Procedures</u> (Concluded)

c) Restrictive Endorsement of Checks
The APA performed a cash count on June 6, 2016, during which it was noted that 7 of 110 checks, totaling $10,606, at the Committee headquarters in Alliance, NE, were not restrictively endorsed. When questioned about the endorsement of checks, the Assistant Executive Director explained that checks received by brand inspectors are not endorsed until received in the mail by the Alliance office, as the inspectors do not have stamps with which to restrictively endorse checks upon receipt.

A good internal control plan and sound business practices require adequate procedures for ensuring that all monies received are adequately recorded and safeguarded. Sound business practices also require timely remittance of all money collected by inspectors and the restrictive endorsement of checks immediately upon receipt.

Without such procedures, there is an increased risk for the loss of Committee's funds. When checks are not restrictively endorsed immediately upon receipt, moreover, the risk for loss or misuse of those funds increases dramatically.

> We recommend the Committee implement procedures for ensuring that all monies received are adequately recorded and safeguarded. Such procedures should require timely remittance of all money collected by inspectors and the restrictive endorsement of checks immediately upon receipt.

Committee Response: The Committee is working with Nebraska Interactive to develop software which would allow for the headquarters staff to know in "real time" when an inspection is performed. Collection of funds will be analyzed as the new software is developed to help alleviate the ongoing issue of late or untimely collections and deposits.

6. <u>Estray Fund</u>

The Committee lacked procedures for identifying when an estray case should be opened and money received from the sale deposited.

During testing of estray cases, three 2012 cases were not followed up on until the livestock auction market reissued the uncashed checks to the Committee. Three additional cases were not properly turned over to the Committee headquarters in Alliance, NE, in a timely manner, resulting in one of those checks having to be reissued.

The following table summarizes the amount of time that lapsed between the issuance of the original check from the sale of the estray animal and the time that check was actually deposited by the Committee.

COMMENTS AND RECOMMENDATIONS
(Continued)

6. **Estray Fund** (Concluded)

	Net Proceeds of Sale	Date of Original Check	Date of Reissued Check	Date of Deposit	Lag Time (Days) from Original Check	
Case A	$869.29	10/10/2012	5/6/2015	5/13/2015	945	✳
Case B	$834.14	11/14/2012	4/28/2015	5/13/2015	910	✳
Case C	$1,185.26	12/15/2012	4/18/2015	5/13/2015	879	✳
Case D	$1,852.30	1/22/2016	4/5/2016	4/11/2016	80	✳
Case E	$822.95	12/4/2016	n/a	4/11/2016	129	
Case F	$711.55	2/26/2016	n/a	4/11/2016	45	
✳Original check was unable to be located and subsequently replaced.						

Due to the Committee's lack of adequate controls over the handling of estray cases, the APA found that money received was not being remitted timely to the Permanent School Fund, as required by State statute.

The following table details the cases for which funds received were not transferred timely to the Permanent School Fund:

	Net Proceeds of Sale	Date of Sale	Date Money Available to the Permanent School Fund	Date Paid to Permanent School Fund	Total Lag Time Remitting Funds to Permanent School Fund as of 5/31/2016
Case A	$869.29	10/10/2012	10/10/2013	n/a	964
Case B	$834.14	11/14/2012	11/14/2013	n/a	929
Case C	$1,185.26	12/15/2012	12/15/2012	n/a	898
Case G	$1,444.04	2/4/2013	2/4/2014	6/25/2015	506
Case H	$215.48	8/12/2013	8/12/2014	6/25/2015	317
Case I	$2,696.71	9/23/2013	9/23/2014	n/a	616
Case J	$1,831.25	8/13/2014	8/13/2015	n/a	292
Case K	$1,106.16	11/3/2014	11/3/2015	n/a	210
Case L	$1,494.00	12/5/2014	12/5/2015	n/a	178

Neb. Rev. Stat. § 54-415 (Cum. Supp. 2014) provides, in relevant part, the following:

> *If the animal is determined to be an estray by a representative of the Nebraska Brand Committee or the county sheriff, as the case may be, such animal shall, as promptly as may be practicable, be sold through the most convenient livestock auction market. The proceeds of such sale, after deducting the selling expenses, shall be paid over to the Nebraska Brand Committee to be placed in the estray fund . . . . [I]f ownership is not determined within such one-year period, the proceeds shall be paid into the permanent school fund, less the actual expenses incurred in the investigation and processing of the estray fund.*

Sound business practices require that procedures be in place to ensure estray proceeds are remitted to the Permanent School Fund, as required by State statute.

> We recommend the Committee implement procedures to ensure estray proceeds are remitted to the Permanent School Fund, as required by State statute.

Committee Response: Estray funds will be deposited according to statutory requirements, and the Committee will develop guidelines for inspectors and investigators to follow.

COMMENTS AND RECOMMENDATIONS
(Continued)

7. Untimely Deposits

On January 15, 2016, the Committee sent a letter to the Nebraska State Treasurer, requesting additional time to make deposits to the treasury because brand inspectors in remote areas were having difficulty remitting receipts promptly in order for them to be deposited within the time provided by Neb. Rev. Stat. § 84-710 (Reissue 2014). On January 27, 2016, the Nebraska State Treasurer granted a two-day extension to the three days required for the deposit of funds with an aggregate amount of $500 or more and a three-day extension for the seven days required for the deposit of funds with an aggregate amount of less than $500.

Testing 35 receipts, the APA found that 8 of those – issued both before and after the extensions were granted – were not deposited timely. A similar finding was noted in our prior report.

The following table summarizes the overdue receipt deposits:

Description	Amount Tested	Earliest Receipt Date	Deposit Date	Days Between Receipt and Deposit	
Local Inspections Fees	$1,286.25	3/21/2015	4/14/2015	16 Business Days	
Local Inspections Fees	$156.75	1/27/2016	2/18/2016	15 Business Days	
Auction Markets Inspection Fees	$80.00	4/11/2016	4/28/2016	13 Business Days	
Brand Transfer Fees	$175.00	12/9/2015	12/23/2015	10 Business Days	
Local Inspections Fees	$1,189.00	1/27/2015	2/10/2015	10 Business Days	
Auction Markets Inspection Fees	$56,811.75	1/31/2016	2/10/2016	7 Business Days	
Auction Markets Inspection Fees	$3,732.75	12/17/2014	12/24/2014	5 Business Days	*
Auction Markets Inspection Fees	$21,482.25	1/31/2015	2/6/2015	4 Business Days	
Total	**$84,913.75**				
* General Ledger date was 1/1/2015.					

Neb. Rev. Stat. § 84-710 (Reissue 2014) provides, in part, the following:

> *It shall be unlawful for any executive department, state institution, board, or officer acting under or by virtue of any statute or authority of the state, including the State Racing Commission, to receive any fees, proceeds from the sale of any public property, or any money belonging to the state or due for any service rendered by virtue of state authority without <u>paying the same into the state treasury within three business days of the receipt thereof when the aggregate amount is five hundred dollars or more and within seven days of the receipt thereof when the aggregate amount is less than five hundred dollars.</u> The State Treasurer may, upon a written request from an executive department, state institution, board, or officer stating that the applicable time period cannot be met, grant additional time to remit the funds to the state treasury.*

(Emphasis added.) Additionally, the Committee's Employee Handbook, under the heading "General Information Pertinent to All Paperwork," states, in part, the following:

- ***<u>All local certificates and checks will be sent to the Alliance office every week</u>*** *All other reports and records will be sent to the Alliance office on or before the 10th of the month unless otherwise indicated in their relative section. Attach check or fees received on the front, left side of the local*

- ***<u>If you accumulate $500.00</u>*** *or more in brand inspection fees, you are directed to mail these fees with the associated documents to the Alliance office by the next business day. This is in accordance to Nebraska State Statute 84-710*

COMMENTS AND RECOMMENDATIONS
(Continued)

7. Untimely Deposits (Concluded)

For four other inspection receipts and one permit receipt, it was unclear when the money was received, as that date was not noted on the inspection and permit documents. We could not determine, therefore, whether the receipts were deposited timely. For all other inspection fee receipts tested, the date received was recorded manually on the inspection form.

Furthermore, the Committee failed to adhere to the following guideline contained in the "Local Certificate and Inspections" section of its Employee Handbook:

- *Local inspection certificates will be completed accurately and legibly with all information required, including mileage, fees collected and date the fees are received.*

A good internal control plan and sound business practices require adequate procedures for ensuring that the Committee's receipts are deposited timely in accordance with State statute, and proper documentation of both the receipts and their subsequent deposits is maintained.

Without such procedures, there is an increased risk for not only violating State statute and the Committee's own internal policy but also the loss or misuse of State funds.

> We recommend the Committee implement procedures to ensure the Committee's receipts are deposited timely in accordance with State statute, and proper documentation of both the receipts and their subsequent deposits is maintained.

Committee Response: Software developed with Nebraska Interactive will allow for deposit times to be improved as the headquarters staff will be made aware of inspections on a daily basis.

8. Ammunition Purchase

The Committee owns several firearms, including handguns and shotguns used by brand investigators. On March 24, 2015, the Committee purchased one box of .223 caliber full metal jacket bullets for $207.50; however, the Committee does not own a firearm chambered in that particular caliber.

The following is an image of the invoice for the ammunition purchase:

COMMENTS AND RECOMMENDATIONS
(Continued)

8. <u>Ammunition Purchase</u> (Concluded)

The Power of Performance
BLACK HILLS
Ammunition

PO BOX 3090 • RAPID CITY, SD 57709-3090
T: 605.348.5150 • 800.568.6625 • F: 605.348.9827
WWW.BLACK-HILLS.COM

PAGE #	1
INVOICE #	222610
INVOICE DATE	03/24/15
BUS. LIC. #	
LIC. EXP. DATE	
ACCOUNT TERMS	NET 30 DAYS
DATE	03/23/15
SALES REP CODE	ALL
STATE TAX NUMBER:	000000000
YOUR P.O. #	

CUSTOMER BILL TO ID#: 68822N
NEBRASKA BRAND COMMITTEE
ATTN: RICK BICKFORD
1603 N F ST
BROKEN BOW, NE 68822

CUSTOMER SHIP TO ID#: 69301N
NEBRASKA BRAND COMMITTEE
ATTN: STEVE STANEC
411 NIOBRARA
PO BOX 1
ALLIANCE, NE 69301

PART NUMBER & DESCRIPTION	QTY ORD	QTY SHIP	QTY BACK	LIST PRICE	DISC	UNIT PRICE	TOTAL PRICE
D40R4	40 S & W 155 GR FMJ REMAN AMMO/500						
	3	3	0			199.50	598.50
D40N120	40 S&W 155 GR JHP NEW AMMO/500-20						
	1	1	0			309.50	309.50
D223R1	223 55 GR FMJ RMFG AMMUNITION/500						
	1	1	0			207.50	207.50

Per discussion with the Committee, the ammunition was purchased for an investigator who carries a rifle. The Committee lacked policies and procedures, however, governing the particulars of such ammunition purchases – including how many rounds will be allowed, how often, and whether for personal weapons as well as those owned by the Committee.

Moreover, purchasing ammunition for the investigators private firearm with State funds could give rise to potential liability concerns.

A good internal control plan requires policies and procedures to be in place to govern the Committee's purchase of ammunition for investigators or other personnel. Without such policies and procedures, there is an increased risk for both the misuse of State funds and liability concerns.

> We recommend the Committee implement policies and procedures to govern the purchase of ammunition for investigators or other personnel.

Committee Response: The purchase of ammunition for private owned and carried firearms by an investigator was approved by the past Executive Director for state required qualification purposes only. The Committee will implement policy stating no ammunition will be purchased by the Committee for any investigator or employee for the use of a privately owned firearm. Ammunition will only be purchased and provided for agency issued firearms.

APA Response: Implementing a policy to halt the current practice of purchasing ammunition for employees' private firearms is a step in the right direction; however, the APA would also recommend reviewing ammunition purchases, as well as related discharges, for service weapons owned by the Committee.

COMMENTS AND RECOMMENDATIONS
(Continued)

9. Cleaning Contract

For calendar year 2015, the Committee entered into a contract with one of its full-time employees to provide cleaning services at the Committee headquarters in Alliance, NE. Although the contract expired December 31, 2015, the employee continued to provide the cleaning services and receive monthly payments for that additional work through May 31, 2016. Payments under the cleaning contract during the period tested totaled $7,600.

In compensating the employee for the supplemental cleaning work, the Committee made direct payments to her instead of paying her through the normal payroll process – in effect, treating her more like an independent contractor rather than an employee.

Under the heading "Employee or Independent Contractor," IRS Publication 15-A, Employer's Supplemental Tax Guide (2016) provides the following guidance regarding how to distinguish between an employee and an independent contractor:

> *Facts that provide evidence of the degree of control and independence fall into three categories: behavioral control, financial control, and the type of relationship of the parties . . . .*
>
> *Behavioral control: Facts that show whether the business has a right to direct and control how the worker does the task for which the worker is hired include the type and degree of . . . . [i]nstructions that the business gives to the worker. An employee is generally subject to the business' instructions about when, where, and how to work . . . .*
>
> *Financial control: Facts that show whether the business has a right to control the business aspects of the worker's job include . . . . [t]he extent to which the worker has unreimbursed business expenses. Independent contractors are more likely to have unreimbursed expenses than are employees. Fixed ongoing costs that are incurred regardless of whether work is currently being performed are especially important. However, employees may also incur unreimbursed expenses in connection with the services that they perform for their employer . . . .*
>
> *The extent to which the worker can realize a profit or loss: An independent contractor can make a profit or loss.*

Based upon the above criteria, the cleaning contract appears to have operated as an extension to the existing employment relationship with the employee, not the basis for establishing a separate independent contractor status for her. Of particular importance in arriving at that determination is the fact that the Committee provided the cleaning products and implements used by the employee.

A good internal control plan and sound business practices require procedures for ensuring that payments for services are both supported by a valid, operative contract and properly identified as State employee wages so that taxes and retirement deductions may be correctly withheld.

Without such procedures, there is an increased risk for not only the loss or misuse of State funds but also preventable withholding errors.

COMMENTS AND RECOMMENDATIONS
(Continued)

9. Cleaning Contract (Concluded)

> We recommend the Committee implement procedures to ensure payments for services are both supported by a valid, operative contract and properly identified as State employee wages so that taxes and retirement deductions may be correctly withheld.

Committee Response: The Committee will implement procedures to ensure all payments for services are supported by a valid, operative contract.

10. NADC Filings

Per Neb. Rev. Stat. § 49-1493(7) (Reissue 2010), the following individuals are required to file a statement of financial interests with the Nebraska Accountability and Disclosure Commission (NADC)

> *A member of any board or commission of the state or any county which examines or licenses a business or which determines rates for or otherwise regulates a business[.]*

That same statute says that the filings are to be made "for the preceding calendar year on or before April 1 of each year in which such individual holds such a position."

Title 4 NAC 2-002.07 expands upon the language in § 49-1493(7), specifying that members of the Committee are among those who must file a statement of financial interests with the NADC.

The APA's review of the NADC files revealed that two of the Committee members did not file the statement of financial interests, as required by State statute. On May 17, 2016, the NADC sent a letter to both of those individuals, reminding them that the filings were past due as of April 1st.

A good internal control plan and sound business practices require procedures to ensure that each Committee member files a statement of financial interests with the NADC, as required by statute. Without such procedures, there is an increased risk for not only an actual or perceived lack of transparency and accountability but also a violation of State law.

> We recommend the Committee implement procedures to ensure that each of its members files a statement of financial interests with the NADC, as required by statute.

Committee Response: The Committee will implement procedures to assure all members required to file a statement of financial interest with NADC, do so as required by state statute.

11. Leave Balances

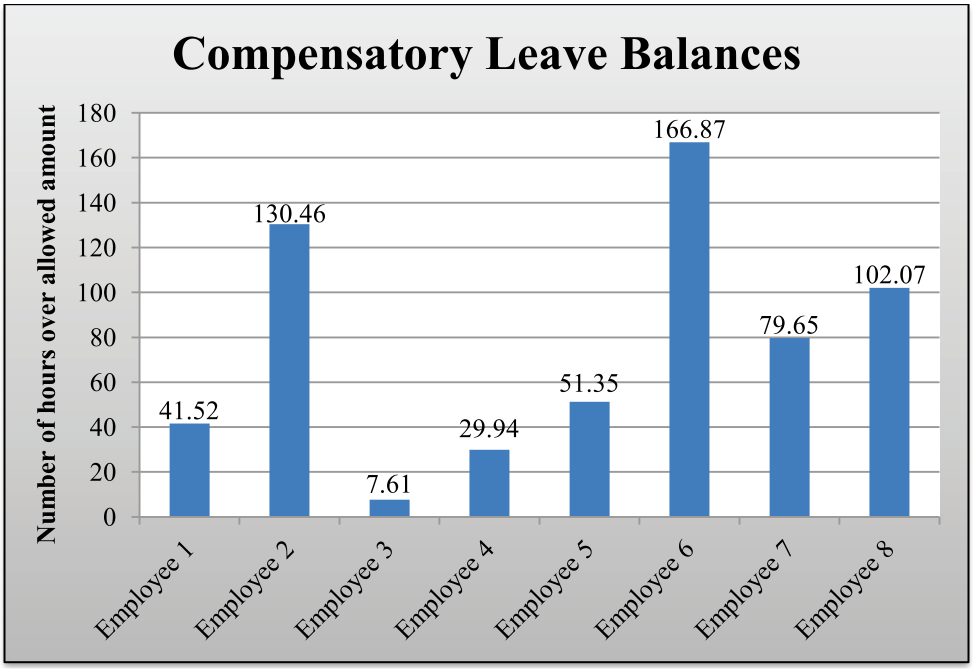
The Committee does not allow employees to receive overtime pay. Instead, work in excess of 40 hours per week is compensated at time and-a-half as compensatory leave.

The APA's testing of Committee employee compensatory leave balances revealed errors for eight employees. Because their leave balances were not appropriately lapsed, those eight employees accumulated compensatory leave over the allowed maximum of 240 hours.

COMMENTS AND RECOMMENDATIONS
(Continued)

11. <u>Leave Balances</u> (Continued)

The excess compensatory leave credited to the eight employees ranged from 7.61 to 166.87 hours, as summarized in the following chart.



The Committee's Employee Handbook, under the heading "Fair Labor Standards Act," states, in part, the following:

> *Employees will not be allowed to accumulate beyond 240 hours of compensatory time off at any given time throughout the year.*

Additionally, no corrective adjustments to negative compensatory leave balances were made for six terminated employees. Those negative balances ranged from -.75 to -52.11 hours. Two terminated employees also had negative vacation balances of 5.12 and 8 hours, and one had a positive vacation balance of 8 hours.

A good internal control plan requires procedures for the Committee to carry out a regular review of compensatory leave balances to ensure the following: 1) hours accumulated do not exceed the 240 maximum specified in the Committee's policies; and 2) proper adjustments are made to both leave and vacation balances upon an employee's termination.

Without such procedures, there is an increased risk for the loss of State funds due to employees being improperly credited with unallowable compensatory leave.

> We recommend the Committee implement procedures for carrying out a regular review of compensatory leave balances to ensure that employees do not accumulate more than the 240 hours specified in

COMMENTS AND RECOMMENDATIONS
(Continued)

11. Leave Balances (Concluded)

the Committee's policies. Additionally, we recommend those procedures ensure vacation and compensatory balances are properly adjusted upon termination.

Committee Response: Current Compensatory Time Policy will be enforced.

12. Intermittent Brand Inspector Benefits

As of May 31, 2016, the Committee employed 48 intermittent brand inspectors. These inspectors are paid according to the number of cattle inspected, not by the hour – although certain start and stop times are recorded on their expense reimbursement documents. For the period tested, the intermittent brand inspectors did not receive any benefits, including insurance or retirement, through the Committee.

Intermittent brand inspectors are paid $.42 per head of cattle inspected, but they are to receive a minimum of 65 head ($27.30) and a maximum of 256 head ($107.52) per day. When working auction markets or sales, however, intermittent brand inspectors are paid 32 head ($13.44) per hour.

During the period tested, the APA identified a number of intermittent brand inspectors who appear to have been working a significant number of hours. As an example, the following chart summarizes the weekly work hours of two such inspectors from January 4 through May 29, 2016.

		Hours Worked Per Week	
Start Date	**End Date**	**Employee 1**	**Employee 2**
1/4/2016	1/10/2016	8.50	33.75
1/11/2016	1/17/2016	36.00	28.50
1/18/2016	1/24/2016	16.75	20.92
1/25/2016	1/31/2016	0.00	28.50
2/1/2016	2/7/2016	0.00	22.75
2/8/2016	2/14/2016	30.00	20.75
2/15/2016	2/21/2016	44.25	24.00
2/22/2016	2/28/2016	36.75	32.50
2/29/2016	3/6/2016	11.50	22.25
3/7/2016	3/13/2016	21.50	39.50
3/14/2016	3/20/2016	37.50	28.50
3/21/2016	3/27/2016	24.50	13.50
3/28/2016	4/3/2016	44.25	24.25
4/4/2016	4/10/2016	31.75	19.75
4/11/2016	4/17/2016	24.00	23.25
4/18/2016	4/24/2016	25.50	32.50
4/25/2016	5/1/2016	11.00	28.00
5/2/2016	5/8/2016	34.25	16.00
5/9/2016	5/15/2016	28.25	13.50
5/16/2016	5/22/2016	28.00	21.67
5/23/2016	5/29/2016	22.75	30.50

COMMENTS AND RECOMMENDATIONS
(Continued)

12. <u>Intermittent Brand Inspector Benefits</u> (Continued)

The significant number of hours worked may impact whether intermittent brand inspectors are entitled to receive certain benefits, as outlined below.

a) Patient Protection and Affordable Care Act

The Committee did not have adequate procedures in place to monitor the status of its intermittent brand inspectors to determine whether they should be receiving insurance coverage under the "employer mandate" of the Federal Patient Protection and Affordable Care Act (Affordable Care Act).

Under 26 U.S.C. § 4980H(a) of the Internal Revenue Code, certain employers who do not offer their employees the appropriate insurance may be penalized with an "assessable payment," as follows:

> *Large employers not offering health coverage If—*
>
> *(1) any applicable large employer fails to offer to its full-time employees (and their dependents) the opportunity to enroll in minimum essential coverage under an eligible employer-sponsored plan (as defined in section 5000A(f)(2)) for any month, and*
>
> *(2) at least one full-time employee of the applicable large employer has been certified to the employer under section 1411 of the Patient Protection and Affordable Care Act as having enrolled for such month in a qualified health plan with respect to which an applicable premium tax credit or cost-sharing reduction is allowed or paid with respect to the employee,*
>
> *then there is hereby imposed on the employer an assessable payment equal to the product of the applicable payment amount and the number of individuals employed by the employer as full-time employees during such month.*

Per 26 U.S.C. § 4980H(c)(2)(a), "The term 'applicable large employer' means, with respect to a calendar year, an employer who employed an average of at least 50 full-time employees on business days during the preceding calendar year."

According to 26 U.S.C. § 4980H(c)(4)(a), "The term 'full-time employee' means, with respect to any month, an employee who is employed on average at least 30 hours of service per week."

Depending upon the average number of hours they work, certain intermittent brand inspectors could be designated as full-time employees under the Affordable Care Act.

A good internal control plan requires procedures for the Committee to monitor the insurance status of its intermittent brand inspectors to ensure compliance with the Affordable Care Act. Without such procedures, there is an increased risk for the loss of State funds by incurring penalties for noncompliance with the Federal law.

12. Intermittent Brand Inspector Benefits (Continued)

We recommend the Committee implement procedures for monitoring the insurance status of its intermittent brand inspectors to ensure compliance with the Affordable Care Act. Such procedures should contain provisions for working with the State Personnel Division of the Department of Administrative Services to determine what, if any, actions are necessary to comply with "employer mandate" of the Federal law.

b) Nebraska Public Employees Retirement

The Committee considers intermittent brand inspectors ineligible to receive retirement benefits under current law. However, State statute does not specifically exempt intermittent brand inspectors from participation in the retirement plan.

As explained previously, intermittent brand inspectors are not paid hourly; consequently, the Committee does not track the number of hours that they work – although certain start and stop times are recorded on their expense reimbursement documents. According to the above chart, however, the two designated employees have worked over 20 hours per week on a consistent basis.

Neb. Rev. Stat. § 84-1307(2) (Reissue 2014) states, in part, the following:

> *The following employees of the State of Nebraska are authorized to participate in the retirement system: (a) All permanent full-time employees shall begin participation in the retirement system upon employment; and (b) all permanent part-time employees who have attained the age of eighteen years may exercise the option to begin participation in the retirement system within the first thirty days of employment.*

(Emphasis added.) Regardless how many hours they work, the Committee's intermittent brand inspectors appear to fall within either the mandatory participation requirement for full-time permanent employees or the optional participation provision for part-time employee set out in § 84-1307(2). Nevertheless, how the retirement laws apply to intermittent brand inspectors is something that the Nebraska Public Employees Retirement System (NPERS) has deliberated with the Committee previously and has remained an ongoing issue for many years.

A good internal control plan requires procedures for monitoring adequately the full-time or part-time employment status of the Committee's intermittent brand inspectors in order to ensure compliance with the retirement laws. Those procedures should facilitate the Committee's continued cooperation with NPERS in working toward a resolution of this issue – including the pursuit of legislation, if determined necessary, to clarify the status of intermittent brand inspectors with regard to qualifying for retirement benefits.

12. Intermittent Brand Inspector Benefits (Concluded)

Without such procedures, there is an increased risk that the Committee's intermittent brand inspectors may be excluded from receiving retirement benefits in contravention of State statute.

> We recommend the Committee implement procedures for monitoring the full-time or part-time employment status of its intermittent brand inspectors in order to ensure compliance with the retirement laws. Those procedures should facilitate the Committee's continued cooperation with NPERS to resolve this issue – pursuing legislation, if needed, to clarify the status of intermittent brand inspectors with regard to qualifying for retirement benefits.

Committee Response: The Intermittent Inspector's hours per week will have to be monitored so that they are under the acceptable hours or the employee's status may have to be changed.

13. Payroll Issues

During payroll testing, the APA found the following issues relating to the Committee's adherence to the provisions of its own Employee Handbook:

- The Executive Director had outside employment as Assistant Girls Basketball Coach at Mitchell Public Schools; however, there was no written approval on file for such employment.
- The timesheets submitted by intermittent employees do not correspond with the bi-weekly pay schedule for which their paychecks are issued. Also, such timesheets are not being approved by an appropriate supervisor.
- One employee was promoted to a Nebraska Brand Employee II position after only eight months, which was four months earlier than the designated advancement time.

The Committee's Employee Handbook, under the heading "Nebraska Brand Committee Policy Regarding Outside Employment," states, in part, the following:

> *The Nebraska Brand Committee has adopted the guidelines as established for the State Personnel System for all **full time employees**, and they are as follows: "Employees may hold another job outside of state employment provided it does not interfere with the duties of the state job, does not conflict with the interests of the state agency, **and the employee has the written approval of his or her appointing authority**."*

The Committee's Employee Handbook, under the heading "Pay Period and Paychecks," states, in part, the following:

> *Intermittent employees are paid on a biweekly schedule.*

COMMENTS AND RECOMMENDATIONS
(Continued)

13. Payroll Issues (Concluded)

The Committee Employee Handbook, under the heading "Advancements and Promotions," says that employees may qualify for advancement to an Employee II position "12 months from date of employment."

When the Committee does not adhere to the provisions of its own Employee Handbook, there is an increased risk that not all personnel will be treated fairly and equally.

> We recommend the Committee adhere to the provisions of its own Employee Handbook.

Committee Response: The Committee will review the Employee Handbook to assure all policies and procedures are current and correct, and will work with the administrative staff and employees to assure all policies and procedures are adhered to.

14. Longevity Pay

The Committee is one of the few, if not the only, State administrative body that provides its employees with longevity pay. During the 2016 legislative session, Senator Matt Hansen (District 26) introduced LB 896 to provide longevity pay to all State employees; however, the bill was indefinitely postponed on March 9, 2016.

The Committee's Employee Handbook, under the heading "Longevity," states, in part, the following:

> *At the beginning of the fourth year of employment, all full-time employees receive longevity equaling $60.00 per year, Paid at $5.00 per month.*

The Committee has interpreted this policy to mean that the $60 is compounded each year of additional service, but that interpretation is not clear based upon on the ambiguous wording of the policy.

The following chart depicts how the Committee is currently dispensing longevity pay:

Longevity Amount Paid Per Year	Year of Employment
$-	1st
$-	2nd
$-	3rd
$60	4th
$120	5th
$180	6th
$240	7th
$2,400	43rd
$2,460	44th
$2,520	45th

COMMENTS AND RECOMMENDATIONS
(Continued)

14. Longevity Pay (Concluded)

Because longevity pay is unique to the Committee, the State Accounting System does not automatically update the longevity pay amount according to the employee's anniversary date. As a result, the Committee must manually update this information on a monthly basis.

During testing, moreover, the APA identified problems with the Committee's calculation of longevity pay, resulting in a potential underpayment for two employees, as follows:

Position	Hire/ Adjusted Service Date	Number of Years Employed	Annual Longevity Payment	Monthly Longevity Payment	Effective Date of Longevity Increase	Actual Date of Change	Amount of Underpayment as of 5/31/16
Employee III	6/13/2012	4	$60	$5	6/13/2015	N/A	$60
Employee VI	8/1/1971	45	$2,520	$210	8/1/2015	9/1/2015	$5

A good internal control plan requires procedures for ensuring that the Committee's longevity payments are updated regularly, as well as for the correct amount, on each qualifying employee's anniversary date. In formulating those procedures, the Committee should clarify the currently ambiguous policy language specifying the amount of longevity pay awarded.

Without such procedures, including the clarification of currently ambiguous policy language, there is an increased risk for incorrect longevity payments to employees.

> We recommend the Committee implement procedures to ensure longevity payments are updated regularly, as well as for the correct amount, on each qualifying employee's anniversary date. We recommend also the formulation of those procedures include clarifying the currently ambiguous policy language specifying the amount of longevity pay awarded.

Committee Response: The Committee will develop clarification of the longevity pay policy.

15. Travel Testing

Whenever traveling, the Committee's inspectors are suppose to complete a mileage log that includes employee information, dates, points of inspection, certificate of inspection numbers issued, starting and stopping times, and miles traveled.

The Committee's review of mileage reimbursements for its inspectors was inadequate. The reimbursements were reviewed only for mathematical accuracy, and no review was performed to determine if mileage claimed was reasonable based on the locations traveled or inspections performed.

COMMENTS AND RECOMMENDATIONS
(Continued)

15. Travel Testing (Continued)

Employee Information removed for Confidentiality.

STATE OF NEBRASKA
NEBRASKA ACCOUNTING SYSTEM

'H NUMBER

EXPENSE REIMBURSEMENT DOCUMENT

TITLE
BRAND INSPECTOR

AGENCY
* NEBRASKA BRAND COMMITTEE
* ALLIANCE, NEBRASKA 69301
DATE RECEIVED DEC 31 2015

PAGE # OF

DATE 2015	POINT OF INSPECTION	Certificate Number	number Inspected	TIME Started	TIME Stop	TRANSPORTATION RATE	TRANSPORTATION MILES TRAVELED	TRANSPORTATION AMOUNT	Postage	Phone	MISCELLANEOUS DESCRIBE	MISCELLANEOUS AMOUNT	TOTAL
12/2	haig f/l	27304	102	5;45	8;00	.575	14						
2-Dec	chad kearns	27305	85	9;00	9;30		21						
2-Dec	grandview ranch	strays	10	10;00	11;00								
2-Dec	hoot owl ranch	27306	2	11;30	12;00		83						
2-Dec	kister f/y	27307	6	1;00									
2-Dec	kister f/y	27308	199		3;00		18						
3-Dec	valley f/y	27309	40	7;30	8;00		42						
3-Dec	kenneth parriott	27310	11	8;30									
3-Dec	kenneth parriott	27311	2										
3-Dec	kenneth parriott	27312	2										
* 3-Dec	kenneth parriott p52	27313	9		9;00		12						
3-Dec	high plains f/y	27314	61	10;00									
3-Dec	high plains f/y	27315	185										
3-Dec	high plains f/y	27316	9										
3-Dec	high plains f/y	27317	12										
3-Dec	high plains f/y	27318	131		12;30		30						
* 3-Dec	Bob cox p53	27319	10	4;00	5;15		32						
12/4	post ranch	27320	3	6;45	8;30		39						
7-Dec	liakos	27321	52	7;00	8;00		23						
7-Dec	Grove l/s	27322	283	8;30	9;30		38						
7-Dec	Lindberg ranch	27323	45	10;00	10;30		23						
7-Dec	olsen ranch	27324	494	11;00	2;45		81						
7-Dec	Loomis ranch	27325	6	4;30	5;00		54						
* 8-Dec	Scott schaneman p54	27326	6	6;15	7;30		20						
8-Dec	Brett hodsden	27327	15	9;00	10;00		24						
9-Dec	ogallala l/s			7;30	5;00		260						
10-Dec	Byron miller	27328	62	7;00	8;30		30						
10-Dec	twin city	tally	1	11;00	11;30		3						
AGENCY USE ONLY - TOTAL OF THIS PAGE		TOTALS					847						
		TOTAL OF ALL PAGES					1467	843.53					

Locations were not specific to recalculate mileage

REIMBURSEMENT TO EMPLOYEE
I claim reimbursement from the STATE OF NEBRASKA for the above expenses incurred by me in the line of duty and declare that the above statement of them is a true account of such expenses for which payment has not been made heretofore by the STATE OF NEBRASKA.

Employee's Signature removed by APA — 12/31/15
SIGNATURE — DATE

I hereby certify that the above claim for reimbursement is proper under state statues, and that the claim for mileage, if any, for use of a privately owned vehicle, is authorized according to Section 81-1176.

AGENCY AUTHORIZED SIGNATURE — DATE

There is no authorized signature

BUSINESS/OBJECT NUMBER	DEBIT	CREDIT
39101820-574300	843.53	
TOTAL	843.53	

Reviewer's Initials

The APA selected 13 documents with travel-related expenses for testing and noted several issues, including the following:

a. ***Travel Policy***
The Committee had travel policies specifically related to brand inspections, but there was no policy regarding approvals or authorizations for travel not related to such inspections. Additionally, we noted that supporting documentation of authorization for an employee's travel to a conference was not on file.

b. ***Other Travel Issues***
Among the other travel-related issues noted were the following:

- Eleven documents were not approved by individuals who would have had adequate knowledge of the travel being reviewed.
- Eight documents did not have a proper signature certifying that the reimbursement was proper under statute.

COMMENTS AND RECOMMENDATIONS
(Continued)

15. Travel Testing (Continued)

- The locations listed on six of the expense reimbursement requests were not specific enough for the APA to recalculate the mileage claimed by the employee. The total reimbursement amount for these six expenses was $7,840.

- Two expense reimbursements tested were not fully completed, as they did not include start and stop times, and the purpose of one of the reimbursements was not adequately identified.

c. Mileage Reimbursement

There was no reconciliation between locations traveled and the related inspection certificates to ensure the inspector actually performed the inspection. The APA selected nine Inspection locations to test mileage reasonableness for two documents. Four mileage reimbursements exceeded the cost of taking the most direct routes, as calculated by the APA using details found on Google Maps, plus a 10% variance.

- One reimbursement for travel from a livestock auction held in Ogallala, NE, to a ranch in Arthur, NE, claimed 47 miles; however, based on the documentation provided, the APA calculated only 42 miles.

- One reimbursement was for travel that took place in the same city in which the inspector is based. No address was provided, but the inspector claimed 40 miles traveled.

- One reimbursement claimed 110 miles for travel from North Platte, NE, to a ranch in Dunning, NE; however, the APA calculated only 88 miles.

- One reimbursement claimed 78 miles for travel from North Platte, NE, to a ranch in Stapleton, NE; however, the APA calculated only 38 miles.

Neb. Rev. Stat. § 81-1174 (Reissue 2014) provides the following, in relevant part:

> *When reimbursement is requested for mileage by automobile . . . the points between which such travel occurred, the times of arrival and departure, and the necessity and purpose of such travel shall be stated on such request.*

Neb. Rev. Stat. § 81-1175 (Reissue 2014) provides the following:

> *In examining the vouchers, bills, and requests for payment or reimbursement as provided for in section 81-1174, no such voucher, bill, or request for travel expenses shall be approved unless written authorization for the same has been given by the (1) director, deputy director, or other titular head of the several state administrative departments, (2) elective or appointive state officer, (3) chairperson of a state commission, council, committee, or board, or (4) titular head or proper disbursing officer of any other state expending agency, including the University of Nebraska, state colleges, and state institutions, before such traveling expenses are incurred, except that such prior authority need not be obtained by peace officers of the State of Nebraska.*

15. Travel Testing (Concluded)

The Committee's Employee Handbook, under the heading "Intermittent Inspector Expense Voucher Information and Instructions," states, in part, the following:

> *You will be reimbursed mileage at the current rate per mile, round trip . . . . We are requesting that you follow a very strict set of guidelines when completing your expense voucher. If you do not complete every detail as requested, your voucher will be rejected. This will then require the voucher to be sent back to you for the additional information or changes necessary in order to process it. Also, be sure to sign your voucher in the correct place. We want you to list separately every inspection you perform on any given day, such as the examples that follow . . . . List only actual miles, do not round the miles traveled up or down.*

A good internal control plan and sound business practices require travel procedures to ensure that expense reimbursements are completed in detail and reviewed to confirm that mileage claimed is supported by locations listed. Additionally, reimbursement documents should be reviewed and approved by someone with adequate knowledge of the work performed and costs incurred.

Without such procedures, there is an increased risk for the loss or misuse of State funds.

> We recommend the Committee implement proper travel procedures to ensure expense reimbursements are completed in detail and reviewed to confirm mileage claimed is supported by locations listed. Such procedures should also ensure reimbursement documents are reviewed and approved by someone with adequate knowledge of the work performed and costs incurred.

Committee Response: The Committee will require inspectors to complete expense voucher documents correctly. The Committee will develop a procedure for supervisors to review mileage for accuracy.

16. Outside Legal Counsel Not Approved

The Brand Committee retained the outside legal services of an attorney from Curtiss, Moravek & Curtiss, PC, LLO, an Alliance, NE, law firm, during calendar year 2015. The attorney should have been approved by the Attorney General's office as a Special Assistant Attorney General; however, no documentation was on file to support that such approval was ever given.

The attorney's retainer fee was $125 per month, and the total payment amount during the audit period was $2,075.

Neb. Rev. Stat. § 84-202 (Reissue 2014) provides the following:

> *The Department of Justice shall have the general control and supervision of all actions and legal proceedings in which the State of Nebraska may be a party or may be interested, and shall have charge and control of all the legal business of all departments and bureaus of the state, or of any office thereof, which requires the services of attorney or counsel in order to protect the interests of the state.*

16. Outside Legal Counsel Not Approved (Concluded)

The Memorandum of Agreement between the Committee and the law firm, dated December 1, 2014, states, "My signing of this Memorandum of Agreement constitutes my agreement to perform the above services for the Nebraska Brand Committee if appointed by the Attorney General."

A good internal control plan requires procedures to ensure that adequate documentation is maintained to support the Attorney General's approval of outside legal counsel.

Without such procedures, there is an increased risk for not only a lack of compliance with State statute but also the loss or misuse of State funds.

> We recommend the Committee implement procedures to ensure adequate documentation is maintained to support the Attorney General's approval of outside legal counsel.

Committee Response: The Committee has maintained the services of a Special Assistant Attorney General since the late 1980's. The Committee will work with the Attorney General's Office to determine the current proper procedure to obtain approval for a Special Assistant Attorney General in the Alliance area.

17. Statutory Fees

During testing, the APA noted that the Committee charged a $100 application fee for brand leases, as listed on the fee schedule published on the Committee's website. There appears to be no statutory authority for charging this fee, however.

Additionally, there appears to be no statutory authority for the Committee to charge certain horse inspection fees – which, unlike other fees, are not listed on the fee schedule published on the Committee's website. We tested one receipt document that contained such fees. In that case, a seller was allowed to pay the Committee for inspecting at a Nebraska Auction Market horses that originated from the South Dakota brand inspection area. The specific expenses charged to the seller included $1 fee per horse, for a total cost of $55.

Neb. Rev. Stat. § 54-174 (Reissue 2010) states, in part, the following:

> *Brand inspection agency means an agency of a state, or a duly organized livestock association of a state, authorized by state law . . . to charge and collect, at designated stockyards, packing plants, sales barns, or farm and ranch loading points, a reasonable and nondiscriminatory fee for the inspection of brands, marks, and other indentifying characteristics of livestock originating in or shipped from such state for the purpose of determining the ownership of such livestock.*

Neb. Rev. Stat. § 54-1,108(2)(a) (Supp. 2015) provides, in part, the following:

> *An inspection fee, established by the Nebraska Brand Committee, of not more than one dollar and ten cents per head shall be charged for all cattle inspected in accordance with the Livestock Brand Act or section 54-415 or inspected within the brand inspection area or brand inspection service area by court order or at the request of any bank, credit agency, or lending institution with a legal or financial interest in such cattle. Such fee may vary to encourage inspection to be performed at times and locations that reduce the cost of performing the inspection but shall otherwise be uniform.*

17. Statutory Fees (Concluded)

When questioned about the statutory authority behind the fees noted above, the Executive Director explained that the Committee had entered into a Reciprocal Agreement for Livestock Ownership Inspection with the South Dakota State Board effective January 1, 2014. That agreement states, in part, the following:

> *The Nebraska Brand Committee agrees to inspect all cattle, horses, or mules originating from within the South Dakota Brand Inspection Area, consigned to the markets and slaughter plants listed herein, and to charge and collect the inspection fee as set by the Nebraska Brand Committee.*

According to the Nebraska Supreme court, "Administrative bodies . . . have only that authority specifically conferred upon them by statute or by construction necessary to achieve the purpose of the relevant act." *Southeast Rural Volunteer Fire Dept. v. Nebraska Dept. of Revenue, Charitable Gaming*, 251 Neb. 852, 867, 560 N.W.2d 436, 446 (1997). Such authority, the Court has held, "must be narrowly construed." *University Police Officers Union, etc. v. University of Nebraska*, 203 Neb. 4, 13, 277 N.W.2d 529, 535 (1979).

The APA questions the propriety of the Committee's charging the $100 brand lease fee or entering into the reciprocal agreement with South Dakota, as there appears to be no statutory authority for either of those activities.

A good internal control plan requires procedures to ensure that fees charged and interstate agreements entered into by the Committee are authorized by statute.

Without such procedures, there is an increased risk that the Committee will exceed its lawful authority.

> We recommend the Committee implement procedures to ensure that fees charged and interstate agreements entered into by the Committee are authorized by statute.

Committee Response: The Committee will research the assessment of the lease brand fee and any statutory requirement that may need to be implemented should the brand lease option be determined to be a benefit to the Committee and the Nebraska Cattle Industry. The Committee will also research the inspection of South Dakota horses under the current Open Market Agreement with South Dakota to determine the correct statutory requirements and authority for each state.

18. Fixed Assets

The Committee lacked procedures to ensure that its fixed assets were properly recorded and monitored within the State's accounting system, as follows:

- The Committee purchased new carpet costing $9,915 for the Brand Committee's headquarters in Alliance, NE. The purchase was coded as Building Improvements in the State's accounting system. Because it did not enhance the functionality of the building either by effectiveness or efficiency or extend the life of the building, and the accumulated cost was not greater than $100,000, the purchase should have been coded to a non-capitalized expense account.

18. <u>Fixed Assets</u> (Concluded)

- One employee maintained fixed asset records, added items to fixed asset records, retired fixed assets, prepared surplus property notification forms, and completed the physical inventory. In addition, the Asset Additions and Retirements Report and the Surplus Property Notification forms were not reviewed by a second individual.

- The Fixed Asset Integrity Reports, which include un-posted fixed assets and fixed assets with no cost assigned, were not reviewed or approved on a timely basis.

The State Accounting Manual, AM-005, General Policies, Section 28, Capital Outlay, states, in part, the following:

> *Building additions are capitalized when the project adds square footage to an existing building and the accumulated costs are $100,000 or greater.*

Good internal control requires procedures to ensure the following: 1) fixed assets are coded properly; 2) a second individual reviews fixed asset records so that no one person is in a position both to perpetuate and to conceal errors or irregularities; and 3) fixed asset reports are reviewed and approved on a timely basis.

Without such procedures, there is an increased risk for the loss or misappropriation of the State's fixed assets.

> We recommend the Committee implement procedures to ensure the following:
>
> - Fixed assets are coded properly;
> - A second individual reviews fixed asset records so that no one person is in a position both to perpetuate and to conceal errors or irregularities; and
> - Fixed asset reports are reviewed and approved on a timely basis.

Committee Response: Procedures will be implemented to ensure proper coding, review and approval of fixed assets. This will include any available training for the headquarters office staff.

NEBRASKA AUDITOR OF PUBLIC ACCOUNTS
Charlie Janssen
State Auditor
Charlie.Janssen@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.nebraska.gov

NEBRASKA BRAND COMMITTEE

INDEPENDENT ACCOUNTANTS' REPORT

Nebraska Brand Committee
Alliance, Nebraska

We have examined the accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balances of the Nebraska Brand Committee (Committee) for the period of January 1, 2015 through May 31, 2016. The Committee'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, the revenues, expenditures, and changes in fund balances of the Committee for the period January 1, 2015 through May 31, 2016, based on the accounting system and procedures prescribed by the State of Nebraska's Director of Administrative Services, as described in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of significant deficiencies and material weaknesses in internal control; instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the subject matter or an assertion about the subject matter and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements that has a material effect on the subject matter or an assertion about the subject matter of the examination engagement; and abuse that has a material effect on the subject matter or an assertion about the subject matter of the examination engagement. 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 certain findings that are required to be reported under *Government Auditing Standards*, and those findings, along with the views of management, are described in the Comments Section of the report.

This report is intended solely for the information and use of management, the Nebraska Brand Committee, others within the Agency, 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.

C. J. Janssen

July 22, 2016

Charlie Janssen
Auditor of Public Accounts

NEBRASKA BRAND COMMITTEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Period January 1, 2015 through May 31, 2016

	Brand Inspection & Theft Prevention Fund 23910	Estray Fund 73910	**Totals Memorandum Only)**
REVENUES:			
Sales & Charges:			
Sales & Charges - Fees	$ 6,107,481	$ -	$ 6,107,481
Sale of Estray Cattle	-	56,224	56,224
Miscellaneous			
Investment Interest	31,810	-	31,810
Beef Council Contract	39,071	-	39,071
TOTAL REVENUES	6,178,362	56,224	6,234,586
EXPENDITURES:			
Personal Services	5,168,989	-	5,168,989
Operating	238,500	2,937	241,437
Travel	691,218	-	691,218
Capital Outlay	84,061	-	84,061
Permanent School Fund Payments	-	8,826	8,826
Resolved Estray Payments	-	12,967	12,967
TOTAL EXPENDITURES	6,182,768	24,730	6,207,498
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,406)	31,494	27,088
Net Change in Fund Balances	(4,406)	31,494	27,088
FUND BALANCES, JANUARY 1, 2015	973,457	29,986	1,003,443
FUND BALANCES, MAY 31, 2016	$ 969,051	$ 61,480	$ 1,030,531
FUND BALANCES CONSIST OF:			
General Cash	$ 967,919	$ 61,480	$ 1,029,399
NSF Items	600	-	600
Deposits with Vendors	638	-	638
Accounts Receivable Invoiced	123	-	123
Due to Vendors	(171)	-	(171)
Due to Fund	(58)	-	(58)
TOTAL FUND BALANCES	$ 969,051	$ 61,480	$ 1,030,531

The accompanying notes are an integral part of the schedule.

NOTES TO THE SCHEDULE

For the Period of January 1, 2015 through May 31, 2016

1. Criteria

The accounting policies of the Nebraska Brand Committee (Committee) are on the basis of accounting, as prescribed by State of Nebraska Department of Administrative Services (DAS).

Per Neb. Rev. Stat. § 81-1107(2) (Reissue 2014), the duties of the State of Nebraska's Director of the Department of Administrative Services (DAS) include:

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

In accordance with Neb. Rev. Stat. § 81-1111(1) (Reissue 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 Committee to record all accounts receivable and related revenues in EnterpriseOne; as such, the Committee'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 May 31, 2016, and not yet paid as of that date. The amount recorded as expenditures on the schedule, as of May 31, 2016, **does not** include amounts for goods and services received before May 31, 2016, which had not been posted to the general ledger as of May 31, 2016.

The Committee had accounts receivable of $110,034, as of June 30, 2015 from inspection fees, Nebraska Beef Council check off reimbursements, and surcharge fees. State Accounting did not require the Department to record its receivables on the general ledger. Instead the receivables were reported to State Accounting for the fiscal year ended June 30, 2015, Comprehensive Annual Financial Report (CAFR) purposes only. Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

NOTES TO THE SCHEDULE
(Continued)

1. Criteria (Continued)

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

20000 – Cash Funds – account for revenues generated by specific activities from sources outside of State government and the expenditures directly related to the generation of the revenues. Cash funds are established by State statutes and must be used in accordance with those statutes. The Committee has one cash fund which is used to record all brand inspections, recording, and theft prevention activity

70000 – Distributive Funds – account for assets held by the State as an agent for individuals, private organizations, other governments, and/or other funds. The Committee has one distributive fund which is used for the receipt and disbursement of estray livestock proceeds.

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

Sales & Charges – Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees. Inspection fees are collected for the performance of brand inspections and brand recording fees are collected for recording bands.

Miscellaneous – Revenue from sources not covered by other major categories, such as investment income and other fees. Beef Council Contract fees are collected as a result of an agreement with the Nebraska Beef Council. The committee receives a collection fee for collecting the Nebraska Beef Council's beef check-off assessments

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

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

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.

NOTES TO THE SCHEDULE
(Continued)

1. Criteria (Concluded)

Permanent School Fund Payments – Proceeds from the sale of estrays, less actual expenses incurred, are required to be paid to the Permanent School Fund if the rightful owner is not identified within one year, per Neb. Rev. Stat. § 54-415 (Supp. 2014). This account is used for recording such payments

Resolved Estray Payments – If the rightful owner of an estray is identified within one year after the sale of such estray, the sale proceeds, less actual expenses incurred, are to be paid back to the owner. This account is used for recording such payments.

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

Assets – Resources owned or held by a government that have monetary value. Assets include cash accounts, deposits with vendors, receivable accounts. 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.

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 Committee's funds at May 31, 2016, included amounts recorded in Due to Vendors 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 – Operating transfers and proceeds of fixed asset dispositions.

2. Reporting Entity

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

The Nebraska Brand Committee 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.

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 CAFR. In addition, the Committee 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 Committee 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.

Buildings and Equipment are depreciated in the CAFR using the straight-line method. The following estimated useful lives are used to compute depreciation:

Buildings	40 years
Equipment	3-20 years

NOTES TO THE SCHEDULE
(Concluded)

5. Capital Assets (Concluded)

Capital asset activity of the Committee recorded in the State Accounting System for the period ending May 31, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets				
Land	$ 5,001	$ -	$ -	$ 5,001
Buildings	85,531	-	-	85,531
Equipment	194,398	57,004	-	251,402
Total	284,930	57,004	-	341,934
Less accumulated depreciation for:				
Buildings				85,531
Equipment				169,692
Total				255,223
Total capital assets, net of depreciation				$ 86,711

Note: The accumulated depreciation noted in the table above was calculated in the accounting system through March 31, 2016.

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 subject to the procedures applied in the examination of the Schedule of Revenues, Expenditures, and Changes in Fund Balances, and, according, we express no opinion on it.

NEBRASKA BRAND COMMITTEE

EXHIBIT A

EXHIBIT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Calendar Year Ended December 31, 2015 and Period Ended May 31, 2016

	January 1, 2015 through June 30, 2015	**July 1, 2015 through December 31, 2015**	**Total Calendar Year Ended December 31, 2015**	**January 1, 2016 through May 31, 2016**	**Total Period Ended May 31, 2016**
REVENUES:					
Sales & Charges:					
Sales & Charges - Fees	$ 1,975,221	$ 2,053,146	$ 4,028,367	$ 2,079,114	$ 6,107,481
Sale of Estray Cattle	19,906	14,249	34,155	22,069	56,224
Miscellaneous					
Investment Interest	11,923	10,237	22,160	9,650	31,810
Beef Council Contract	13,672	13,932	27,604	11,467	39,071
TOTAL REVENUES	2,020,722	2,091,564	4,112,286	2,122,300	6,234,586
EXPENDITURES:					
Personal Services	1,705,485	1,867,756	3,573,241	1,595,748	5,168,989
Operating	71,126	109,515	180,641	60,796	241,437
Travel	234,119	256,888	491,007	200,211	691,218
Capital Outlay	11,595	65,793	77,388	6,673	84,061
Permanent School Fund Payments	8,826	-	8,826	-	8,826
Resolved Estray Payments	-	4,595	4,595	8,372	12,967
TOTAL EXPENDITURES	2,031,151	2,304,547	4,335,698	1,871,800	6,207,498
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,429)	(212,983)	(223,412)	250,500	27,088
Net Change in Fund Balances	(10,429)	(212,983)	(223,412)	250,500	27,088
BEGINNING FUND BALANCES	1,003,443	993,014	1,003,443	780,031	1,003,443
ENDING FUND BALANCES	$ 993,014	$ 780,031	$ 780,031	$ 1,030,531	$ 1,030,531
FUND BALANCES CONSIST OF:					
General Cash	$ 996,712	$ 779,614	$ 779,614	$ 1,029,399	$ 1,029,399
NSF Items	550	663	663	600	600
Deposits with Vendors	638	638	638	638	638
Accounts Receivable Invoiced	54	54	54	123	123
Due to Vendors	(4,934)	(780)	(780)	(171)	(171)
Due to Fund	(6)	(158)	(158)	(58)	(58)
TOTAL FUND BALANCES	$ 993,014	$ 780,031	$ 780,031	$ 1,030,531	$ 1,030,531

Source: Information obtained from the State accounting system, EnterpriseOne