ATTESTATION REPORT
OF THE
NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

JULY 1, 2016, THROUGH JUNE 30, 2017

Issued on October 4, 2017

*The **Nebraska Auditor of Public Accounts Office** was created by the first territorial Legislature in 1855. The Auditor was the general accountant and revenue officer of the territory. Those duties have expanded and evolved over the decades, as modern accounting theory has been implemented. The office of the Auditor of Public Accounts is one of six offices making up the executive branch of Nebraska State Government. Charlie Janssen was elected in November 2014, as the Nebraska Auditor of Public Accounts. He was sworn into office on January 8, 2015, as Nebraska's 25th State Auditor.*

The mission of the Nebraska Auditor of Public Accounts' office is to provide independent, accurate, and timely audits, reviews, or investigations of the financial operations of Nebraska State and local governments.

We will provide this information, as required by statute, to all policymakers and taxpayers through written reports and our Internet-based Budget and Audit databases.

We will maintain a professionally prepared staff, utilizing up-to-date technology, and following current Government Auditing Standards.

Audit Staff Working On This Examination

Krista Davis – Audit Manager
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Caleb Witt – Auditor

Our reports can be found electronically at: **http://www.auditors.nebraska.gov**

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NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

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BACKGROUND

In 1957, the Legislature created the Nebraska Board of Public Accountancy (Board), which is comprised of eight members appointed by the Governor. Board members serve four-year terms. Six of the eight members must be certified public accountants, and two members must be lay persons. In addition, two certified public accountant members must reside in each congressional district.

The duties of the Board include the following: 1) issuing permits to practice public accountancy to certified public accountants, partnerships, limited liability companies, and professional corporations; 2) overseeing the Certified Public Accountants (CPA) Computerized Based Test (CBT) examination; 3) requiring continuing professional education programs for licensed accountants; 4) monitoring compliance by licensed accountants with professional standards; and 5) investigating complaints registered with the Board.

The Board's operations are financed by the collection of registration and permit fees.

KEY OFFICIALS AND BOARD CONTACT INFORMATION

Board Members

Name	Title	Term Ending
Lori Druse	Chairperson – CPA	November 2019
Tom Purcell	Vice-Chair – CPA	September 2017
Marcy Luth	Secretary – CPA	September 2018
Michele Stromp	Board Member – CPA	September 2020
Michael McClure	Board Member – CPA	September 2020
Bernie Gutschewski	Board Member – Public Member	September 2018
Glen Waltemath	Board Member – CPA	September 2017
Kenneth Brauer	Board Member – Public Member	September 2019

Executive Management

Name	Title
Dan Sweetwood	Executive Director

Nebraska Board of Public Accountancy
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SUMMARY OF COMMENTS

During our examination of the Nebraska Board of Public Accountancy (Board), 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*: Comments #1 and #2, which are considered to be significant deficiencies.

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

1. ***Lack of Controls Over Revenues:*** We noted a lack of segregation of duties over the issuance of permits and other revenues collected by the Board. Permits and certificates were not adequately controlled to ensure all monies received were actually deposited.

2. ***Lack of Controls Over Payroll:*** We noted a lack of segregation of duties over payroll processing. No secondary review of payroll registers was completed by someone without payroll access.

3. ***Lack of Controls Over Expenditures:*** We noted a lack of segregation of duties over expenditures. A Board employee was able to prepare, approve, and post his own transactions in the State's accounting system.

4. ***Lack of Controls Over Capital Assets:*** We noted a lack of segregation of duties over fixed assets. No documented review of fixed asset reports was completed by an individual without State accounting system access to maintain fixed asset records.

5. ***Service Organization Control Report:*** The Board utilized a service organization for application processing, fee collections, credential evaluation, and score reporting, but it did not obtain and review the organization's attestation report evaluating its internal controls related to the processes.

6. ***Lack of Tuition Reimbursement Policy:*** Since January 2016, the Board has made $16,612 in tuition reimbursements to an employee; however, the Board lacked a tuition reimbursement policy with appropriate guidelines for tuition assistance, including the percentage and maximum amount of tuition assistance the Board would reimburse and repayment requirements for voluntary terminations.

7. ***FoxPro Password Settings:*** The Board did not require password complexity or periodic password changes for access to its FoxPro system, the application used for issuing permits and certificates. The application includes confidential information.

8. ***Contract Issues:*** Three Board contracts were not reviewed by legal counsel; four were not recorded in the State's accounting system; two were not entered on the State's Contract Database; and one was not constructed to include all rates billed to the Board.

9. ***Lack of Timely Deposits:*** Eight of 25 receipts tested were not deposited timely. The receipts were deposited between 1 and 12 business days late, and the daily receipt amounts ranged from $50 to $2,040. A total of $8,145 receipts tested were not deposited timely.

SUMMARY OF COMMENTS
(Concluded)

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 Board.

Draft copies of this report were furnished to the Board 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. Lack of Controls Over Revenues

During testing, we noted the Nebraska Board of Public Accountancy (Board) lacked an adequate segregation of duties over both the revenue process and the issuance of permits and certificates, as follows:

- One individual was able to open mail containing cash receipts without a second staff member being present, process applications for permits and certificates, issue permits and certificates, and prepare deposits. Three individuals had access to perform these procedures.
- We also noted one of those three individuals was able to prepare, approve, and post his own deposit documents in the State's accounting system. This access would allow the employee to process a transaction from beginning to end without a secondary person being involved in the process. We reviewed the accounting system and noted no transactions were prepared, approved, and posted by the same individuals during the fiscal year ended June 30, 2017. Therefore, the access for the employee appeared unreasonable and unnecessary.
- Permits and certificates were not adequately controlled to ensure all monies received were actually deposited. Receipts could be deleted in the permit/certificate system (FoxPro) after being issued. Because the permit/certificate number sequence would not be continuous, a thorough review of transaction reports would be required to detect deleted receipts. There was also no documented review of deleted receipts by someone without access to the FoxPro system. Furthermore, documentation related to the deleted receipts was not retained for subsequent review. For two of five deleted receipts tested, no supporting documentation was on file to support why the receipt was deleted. During the fiscal year tested, 26 receipts were deleted.

Revenues from sales and charges totaled $359,695 during the fiscal year ended June 30, 2017, of which $87,280 was processed through the office and is considered to be at risk. The remaining receipts were online credit card payments.

A good internal control plan requires an adequate segregation of duties or compensating procedures to ensure no one individual is in a position both to perpetrate and to conceal errors or irregularities when issuing permits or certificates and preparing deposits, including the preparation of an initial listing of monies received and a review of deleted transactions.

A lack of segregation of duties increases the risk of loss, misuse, or theft of State funds. Without proper controls over the issuance of permits and certificates, there is an increased risk a permit or certificate could be issued without the fee being collected, or a fee paid by an applicant might not be deposited.

> We recommend the Board implement a proper segregation of duties or compensating procedures for the handling of receipts and the issuance of permits and certificates, including a documented review of deleted receipts.

COMMENTS AND RECOMMENDATIONS
(Continued)

1. Lack of Controls Over Revenues (Concluded)

Board Response: Within the three-member office, each employee has a separate role in processing a deposit, however we will review current deposit procedures in order to improve segregation of duties.

The current procedures over deposits have not utilized the system access that was available. This is due to the Board's policy that transactions be approved by a different person than who prepared them. Board staff will meet with DAS representatives to work to remove unnecessary transaction processing access of the Director and staff within the State Accounting System (E-1).

We appreciate the discovery that the Board's database (FoxPro) would "skip" a receipt (i.e. delete the receipt and assign a new receipt number) when staff used the "undo" function while entering information into the system. We have contacted the Office of CIO to correct this issue within FoxPro. Documentation is maintained when a known deleted receipt occurs. In addition, staff will run a report of receipts on a quarterly basis to ensure all permits were issued sequentially with a receipt attached. The report will be reviewed by the Board Secretary.

2. Lack of Controls Over Payroll

The State's accounting system does not have an established segregation of duties for payroll processing. Therefore, employees with access to process payroll are able to perform all procedures without a secondary individual being required to approve transactions.

Accordingly, the Board should have compensating procedures in place, such as a documented review of the payroll register by an individual without payroll access, to ensure no one individual is able to conceal errors or irregularities. The Board had two individuals who were able to perform all payroll processes and reviewed reports to ensure expenditures were accurate and proper. There was no secondary review by an individual without payroll access.

The Board had $250,278 in personal service expenditures during the fiscal year ended June 30, 2017.

A good internal control plan requires an adequate segregation of duties to ensure no one individual is in a position both to perpetrate and to conceal errors or irregularities. This would require someone without payroll access to perform a documented review of the payroll to ensure that it is proper. Without an adequate segregation of duties, there is an increased risk of errors or irregularities occurring and not being detected.

> We recommend the Board implement procedures for someone without payroll access to perform a documented review of the payroll register for accuracy and reasonableness.

Board Response: Board staff will meet with DAS representatives to work to remove unnecessary transaction processing access of the Director and staff within E-1. We will also implement a new procedure where the staff member without access to payroll (E-1) will verify payroll documents agree to the general ledger after posting to ensure accuracy.

COMMENTS AND RECOMMENDATIONS
(Continued)

3. Lack of Controls Over Expenditures

During testing of employee access to the State's accounting system, we noted a lack of segregation of duties over the expenditure process, as one employee had access to prepare, approve, and post his own transactions. This issue was also discussed during the prior attestation for the period ended December 31, 2011. This access would allow the employee to process a disbursement from beginning to end without the involvement of a secondary person.

We reviewed the accounting system and noted no transactions were prepared, approved, and posted by the same individuals during the fiscal year ended June 30, 2017. Therefore, the access for the employee appeared unreasonable and unnecessary.

Aside from costs for personal services, Board expenditures totaled $120,276 during the fiscal year tested.

A good internal control plan requires an adequate segregation of duties or compensating procedures to ensure no one individual is in a position both to perpetrate and to conceal errors or irregularities when processing expenditure transactions.

A lack of segregation of duties increases the risk of errors and/or fraud occurring and remaining undetected.

> We recommend the Board implement a proper segregation of duties and restrict employee access to the accounting system, so no one individual has the ability to process expenditure transactions from beginning to end.

Board Response: The current procedures over Board expenditures has not utilized the system access that was available. This is due to the Board's policy that transactions be approved by a different person than who prepared them. Board staff will meet with DAS representatives to request an automated control be added that the E-1 system would not allow the preparer and approver to be the same person.

4. Lack of Controls Over Capital Assets

During our review of capital assets, we noted a lack of segregation of duties over the processing of capital assets in the accounting system. One individual was able to add assets to the inventory records, to surplus and dispose of assets, and to perform the annual inventory. Additionally, no documented secondary review of capital asset reports was performed by an independent person without capital asset access to ensure that the additions and retirements were appropriate and accurate.

As of June 30, 2017, the Board had 33 assets with a total purchase value of $24,789 but, due to depreciation, a current combined book value of only $1,372.

COMMENTS AND RECOMMENDATIONS
(Continued)

4. <u>Lack of Controls Over Capital Assets</u> (Concluded)

A good internal control plan requires an adequate segregation of duties to ensure no one individual is able both to perpetrate and to conceal errors or irregularities.

Without an adequate segregation of duties, there is an increased risk of fraud and misuse of State property.

> We recommend the Board establish an adequate segregation of duties to ensure no one individual is able to perpetrate and/or conceal errors and irregularities. This would include a documented secondary review of capital asset reports by someone without accounting system access to maintain capital assets.

Board Response: Board staff will meet with DAS representatives to work to remove unnecessary transaction processing access of the Director and staff within E-1. Current procedures will be reviewed and updated to include reviewing the Additions in Retirement report, in addition to the already reviewed capital asset inventory reports and ensure that the review is performed by a staff member without access to E-1.

5. <u>Service Organization Control Report</u>

The Board contracted with the National Association of State Boards of Accountancy (NASBA), for the following services:

- *Application Processing* – NASBA is responsible for processing applications and determining eligibility to take the Certified Public Accountant (CPA) exam. It also collects the exam fee, of which $15 for first-time applicants goes to the Board.

- *Credential Evaluation* – NASBA determines if candidates have taken all required courses to sit for the CPA exam.

- *Score Reporting* – NASBA is responsible for reporting CPA exam scores both to candidates and to the Board.

NASBA was a service organization for the Board during the fiscal year tested. According to the American Institute of Certified Public Accountants (AICPA) U.S. Auditing Standards, AU-C 402.08, a service organization is "an organization or segment of an organization that provides services to user entities that are relevant to those user entities' internal control over financial reporting." Furthermore, AU-C 402.A3 goes on to state, "A user entity may use a service organization, such as one that processes transactions and maintains the related accountability for the user entity or records transactions and processes related data . . . ."

Therefore, the APA requested a service organization control audit for NASBA from the Board to gain an understanding of the transactions processed by the service organization and to determine the effect of such processes on the Board's internal control relevant to the attestation

COMMENTS AND RECOMMENDATIONS
(Continued)

5. Service Organization Control Report (Continued)

examination being conducted. According to the Board, NASBA obtained an AICPA AT-101 examination, conducted under attestation standards section 101, *Attest Engagements*. The examination assessed the controls established by NASBA and provided complementary user entity controls that the Board should have established to complement NASBA's controls.

The Board had not requested and reviewed NASBA's most recent AT-101 report. Therefore, the APA asked the Board to obtain the report for further review. No control issues were noted in the report, and an unmodified opinion was issued.

A good internal control plan requires the Board to obtain and review the service organization's control audits or attestation engagements to ensure all controls relevant to the services being provided are operating effectively, and proper complementary user controls are established.

Failure to obtain and review the NASBA engagement report increases the risk the service organization could have control weaknesses about which the Board would be unaware. In turn, this could increase the risk of improper processing of applications, improper collection of fees assessed and passed through to the Board, improper evaluation of credentials, and/or improper reporting of CPA exam scores.

> We recommend the Board work with its service organization to ensure the following: 1) reports over controls are received; 2) a documented review of such reports is performed to ensure controls are operating effectively; and 3) the Board has implemented the complementary user controls identified in the reports.

Board Response: The Board engaged the National Association of State Boards of Accountancy (NASBA) CPA Exam Services (CPAES) in 2003 to review applications to sit for Uniform CPA Examination. NASBA was selected by the Board because of their expertise and the ability to eliminate a full time State position. The Board has established procedures to review the internal controls established by NASBA CPAES including having staff members and the Chair of the Board's Education & Examination Committee visit CPAES offices in Nashville. In addition, when exam candidate files are received by the Board, a staff member reviews each file to ensure CPAES followed their exam eligibility process. Additionally, the CPAES employee who reviews Nebraska applications attends via conference call Education & Examination Committee meetings to answer questions and overview applications that require further clarification to reach a decision to allow the candidate to sit.

The Examination Review Board (ERB) was created by NASBA, which is primarily made up of State Board of Accountancy members, including a former Nebraska Board member, to ensure the application and examination environment is secure. This includes a review of CPAES and its processes. The ERB reports its findings in a written report to State Boards at the NASBA regional meetings.

COMMENTS AND RECOMMENDATIONS
(Continued)

5. Service Organization Control Report (Concluded)

Since this was the first time an outside auditor asked to review the entire report within the AT101 audit prepared for NASBA management and the ERB, it did require further discussion with NASBA management. The Board and NASBA will work together on a process to review the service organization report.

6. Lack of Tuition Reimbursement Policy

During testing, we noted the Board reimbursed one employee $9,130 for tuition assistance during the fiscal year ended June 30, 2017. However, the Board did not have a policy for tuition assistance. From January 2016 through August 2017, the employee received $16,612 in tuition assistance related to a business administration degree.

The Board claimed to follow the tuition assistance policy set out in Section 20.5 of the NAPE/AFSCEME State Employee Labor Contract (July 1, 2015, through June 30, 2017), which states, in relevant part, the following:

> *The Employer may reimburse the employee for 50% to 100% of tuition for approved job, career related, or degree required courses.*

Additionally, Section 20.7 of the contract provides, in relevant part, the following:

> *Employees who receive tuition assistance may be required to reimburse the Employer if they voluntarily leave their employment within one year of the course completion date.*

Nevertheless, the Board lacked more detailed policies for addressing these important aspects of the tuition assistance arrangement with its employee:

- The actual percentage or maximum amount of tuition assistance reimbursements the Board would allow. According to discussions with the Director, this employee was to be reimbursed for the full cost of the degree.

- Any conditions of termination repayments. According to discussions with the Director, there were no agreements at this time pertaining to termination repayments. It appears this employee could voluntarily terminate employment at any time, and no repayments would be required.

Good internal controls and sound business practices require the adoption of formal, detailed policies for employee tuition assistance programs. Without such policies, there is an increased risk for the misuse of State funds.

> We recommend the Board develop formal, detailed policies for its employee tuition assistance program. Such policies should address, among other things, the percentage and maximum amount of tuition assistance reimbursements the Board will allow and the repayment requirements for voluntary employee terminations.

COMMENTS AND RECOMMENDATIONS
(Continued)

6. Lack of Tuition Reimbursement Policy (Concluded)

Board Response: It has been the Board's and the Director's past practice to allow staff members the ability to continue their education as allowed and outlined within the current NAPE/AFSCEME State Employee Labor Contract. Staff members in good standing have been allowed to attend a college or university to obtain their Public and/or Business Administration degree as relates to their positions for the Board. Approval, as indicated within the Labor Contract, is granted by the Director if the employee is in good standing and is approved annually by the Board in its review of the budget. Usually, tuition is reimbursed at 100% as allowed by the Labor Contract. The Director keeps the Board apprised of his approval of employee agreements through updates at Board meetings and all reimbursements are approved by the Board as provided within Board Budget/Financial Status Reports which is a part of the consent agenda. However, more formal documentation of the specific agreements with each employee will be completed based on the recommendation.

The Board will consider implementing a tuition reimbursement policy which complies with the Labor Contract.

7. FoxPro Password Settings

The Board did not require password complexity or periodic password changes for access to the FoxPro system, the application used for issuing permits and certificates, monitoring continuing education, filing complaints, tracking Quality Enhancement Program (QEP) history information, and general reporting. The system contained sensitive data related both to personally identifiable information and to social security administration data. All three Board employees and a DAS employee had access to the system.

The Nebraska Information Technology Commission (NITC) Standards & Guidelines, Password Standard 8-301 (December 2013), Section 1.2, sets the following minimum password construction requirements for passwords that are used to authenticate users to networks or applications:

- *Must contain a minimum of 8 characters*
- *Must contain at least three (3) of the following four (4):*
    - *At least one (1) uppercase character*
    - *At least one (1) lowercase character*
    - *At least one (1) numeric character*
    - *At least one (1) symbol*
- *Cannot repeat any of the passwords used during the previous 365 days.*

Section 2.2 of this same standard states the following:

> *Information that is deemed Confidential requires a high level of security. A password used to access Confidential information must follow the password complexity rules outlined in section 1.2 and must contain the following additional requirement: Expire after 90 days*

Good internal controls require policies and procedures to ensure password settings for system users are appropriate based on the level of system access provided to users. Inadequate password settings increase the risk of unauthorized users gaining access to sensitive information contained in the FoxPro application.

COMMENTS AND RECOMMENDATIONS
(Continued)

7. FoxPro Password Settings (Concluded)

> We recommend the Board ensure password settings for FoxPro system users are appropriate based on the level of access provided to the users. This includes ensuring all users with access to confidential information within FoxPro are required to change their passwords periodically, and passwords meet NITC minimum complexity requirements.

Board Response: We agree with the recommendations regarding enhancing FoxPro password setting requirements and will implement them with the guidance and assistance of the Office of CIO.

8. Contract Issues

During testing of four contractual service expenditures, totaling $12,450, we noted the following:

- Three contracts were not reviewed by legal counsel. Without the proper legal review of contracts, the Board may unknowingly enter into a contract with language detrimental to the Board or the State.

- Four contracts were not entered into the State's accounting system, as required by Neb. Rev. Stat. § 73-503(1) (Cum. Supp. 2016), which states, in relevant part, "All state agencies shall process and document all contracts for services through the state accounting system."

- Two contracts were not reported on the State's contract database, as required by Neb. Rev. Stat § 84-602.04(1) (Cum. Supp. 2016), which requires, in relevant part, the following:

  (1) The State Treasurer shall develop and maintain a single, searchable web site with information on state receipts, expenditures of state funds, and contracts which is accessible by the public at no cost to access as provided in this section.

  * * * *

  (4)(a) The web site described in this section shall include a link to the web site of the Department of Administrative Services. The department's web site shall contain:

  (i) A data base that includes a copy of each active contract that is a basis for an expenditure of state funds, including any amendment to such contract and any document incorporated by reference in such contract. . . . All state entities shall provide to the Department of Administrative Services, in electronic form, copies of such contracts for inclusion in the data base beginning with contracts that are active on and after January 1, 2014 . . . .

- One expenditure for legal services included 0.6 hours billed at a rate of $75 per hour for a total of $45. However, the contract did not specify the $75 rate. When the Board does not ensure all billable rates are reflected in contractual agreements, the Board may be inappropriately charged.

COMMENTS AND RECOMMENDATIONS
(Concluded)

8. Contract Issues (Concluded)

A good internal control plan and sound business practices require policies and procedures for ensuring the following: 1) contracts are reviewed by legal counsel to ensure the propriety of their terms; 2) agency contracts for services are entered into the State's accounting system; 3) contracts that are the basis for the expenditure of State funds are included on the State's contract database; and 4) applicable billable rates are specified in the terms of contractual agreements.

> We recommend the Board implement policies and procedures to ensure the review of contracts by legal counsel, the posting of agency service contracts to the State's accounting system, the inclusion of contracts that are the basis for the expenditure of State funds on the State's contract database, and the specification of any applicable billable rates in the terms of contractual agreements.

Board Response: We agree with the recommendations and will ensure current and future contracts, including for the Board Attorney and CPA experts, are reviewed by legal counsel, entered into E-1 as required, and reported on the contract database.

9. Lack of Timely Deposits

We noted that 8 of 25 Board receipts tested were not deposited timely, as required by Neb. Rev. Stat. § 84-710 (Reissue 2014), which provides, in relevant 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 . . . 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 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.*

The receipts at issue were deposited between 1 and 12 business days late, and the daily receipt amounts ranged from $50 to $2,040. A total of $8,145 receipts tested were not deposited timely.

Good internal controls require policies and procedures to ensure all monies received are deposited to the State Treasury in the timely manner mandated by State law. Without such policies and procedures, there is an increased risk for loss or theft of State funds.

> We recommend the Board implement policies and procedures to ensure all monies received are deposited promptly to the State Treasury in accordance with State law.

Board Response: As indicated within the response in #1, current deposit procedures require all three staff members to process a deposit. When one staff member is out of the office, it is possible a deposit is delayed. We reviewed our current procedures and are in process of implementing updates to our procedures so all monies are deposited promptly.

NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Board of Public Accountancy
Lincoln, Nebraska

We have examined the accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balance of the Nebraska Board of Public Accountancy (Board) for the fiscal year ended June 30, 2017. The Board's management is responsible for the Schedule of Revenues, Expenditures, and Changes in Fund Balance based on the accounting system and procedures set forth in Note 1. Our responsibility is to express an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balance 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Schedule of Revenues, Expenditures, and Changes in Fund Balance is based on the accounting system and procedures set forth in Note 1, in all material respects. An examination involves performing procedures to obtain evidence about the Schedule of Revenues, Expenditures, and Changes in Fund Balance. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Schedule of Revenues, Expenditures, and Changes in Fund Balance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Schedule of Revenues, Expenditures, and Changes in Fund Balance for the fiscal year ended June 30, 2017, is based on the accounting system and procedures prescribed by the State of Nebraska's Director of the Department of Administrative Services, as set forth in Note 1, in all material respects.

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 Balance is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedule of Revenues, Expenditures, and Changes in Fund Balance or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed 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 Board, others within the Board, 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.

October 2, 2017

Charlie Janssen
Auditor of Public Accounts
Lincoln, Nebraska

NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 2017

	Certified Public Accountants Cash Fund 26310
REVENUES:	
Sales & Charges	$ 359,695
Miscellaneous	8,876
TOTAL REVENUES	368,571
EXPENDITURES:	
Personal Services	250,278
Operating	100,340
Travel	19,506
Capital Outlay	430
TOTAL EXPENDITURES	370,554
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,983)
Net Change in Fund Balance	(1,983)
FUND BALANCE, July 1, 2016	539,109
FUND BALANCE, June 30, 2017	$ 537,126
FUND BALANCE CONSISTS OF:	
General Cash	$ 534,915
Not Sufficient Funds Items	175
Deposits with Vendors	2,036
TOTAL FUND BALANCE	$ 537,126

The accompanying notes are an integral part of the schedule.

NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2017

1. Criteria

The accounting policies of the Nebraska Board of Public Accountancy (Board) are on the basis of accounting, as prescribed by the State of Nebraska's Director of the Department of Administrative Services (DAS).

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

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

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

The financial information used to prepare the Schedule of Revenues, Expenditures, and Changes in Fund Balance was obtained directly from the general ledger and fund balance information maintained on EnterpriseOne. EnterpriseOne is not an accrual accounting system; instead, accounts are maintained on a modified cash basis. As revenue transactions occur, the agencies record the accounts receivable and related revenues in the general ledger. As such, certain revenues are recorded when earned, regardless of the timing of related cash flows. State Accounting does not require the Board to record all accounts receivable and related revenues in EnterpriseOne; as such, the Board'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 June 30, 2017, and not yet paid as of that date. The amount recorded as expenditures on the schedule, as of June 30, 2017, **does not** include amounts for goods and services received before June 30, 2017, which had not been posted to the general ledger as of June 30, 2017.

The Board had no accounts receivable at June 30, 2017. Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

The following fund type is established by the State and used by the Board:

> **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.

NOTES TO THE SCHEDULE
(Continued)

1. Criteria (Concluded)

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

> **Sales & Charges –** Income derived from charges for various certifications, permits, and fees.
>
> **Miscellaneous –** Revenue from sources not covered by other major categories, such as investment income.

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

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

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

> **Assets –** Resources owned or held by a government that have monetary value. Assets include cash accounts and deposits with vendors. Accounts receivable are recorded as an increase to revenues resulting in an increase to 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.

2. Reporting Entity

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

NOTES TO THE SCHEDULE
(Concluded)

3. General Cash

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

4. Capital Assets

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

However, State Accounting does adjust such expenditures and reports the capital assets as assets for the State of Nebraska in the Comprehensive Annual Financial Report (CAFR). In addition, the Board 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 Board 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. Depreciation expenses are reported in the CAFR in the funds used to acquire or construct them for the State of Nebraska. The cost of normal maintenance and repairs that does not add to the value of the asset or extend the asset's life is not capitalized.

Equipment is depreciated in the CAFR using the straight-line method with estimated useful lives of 3 to 10 years.

Capital asset activity of the Board recorded in the State Accounting System for the fiscal year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets				
Equipment	$ 24,359	$ 430	$ -	$ 24,789
Less accumulated depreciation for:				
Equipment				23,417
Total capital assets, net of depreciation				$ 1,372

SUPPLEMENTARY INFORMATION

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

NEBRASKA BOARD OF PUBLIC ACCOUNTANCY **Exhibit A**
CPA EXAMINATION STATISTICS
For Fiscal Years Ended June 30, 2013, through 2017

Candidates Taking Exam	**2013**	**2014**	**2015**	**2016**	**2017**
New Candidates*	133	164	151	157	107
Repeat Candidates*	165	148	160	170	172
Total Candidates Taking Exam	298	312	311	327	279
Candidates Passing 4th Section	109	90	109	106	101

Passed by Part	**2013**	**2014**	**2015**	**2016**	**2017**
Auditing & Attestation	115	106	112	124	89
Business Environment & Concepts	115	121	111	126	108
Financial Accounting & Reporting	104	97	122	110	79
Regulation	111	113	123	115	105
Total Passed by Part	445	437	468	475	381

Attendance by Part	**2013**	**2014**	**2015**	**2016**	**2017**
Auditing & Attestation	241	201	213	237	182
Business Environment & Concepts	192	197	186	203	183
Financial Accounting & Reporting	199	197	229	228	177
Regulation	194	209	202	215	202
Total Attendance by Part	826	804	830	883	744

*New candidates are those who are sitting for their first exam. Accordingly, repeat candidates are those who have previously sat for any section of the exam.

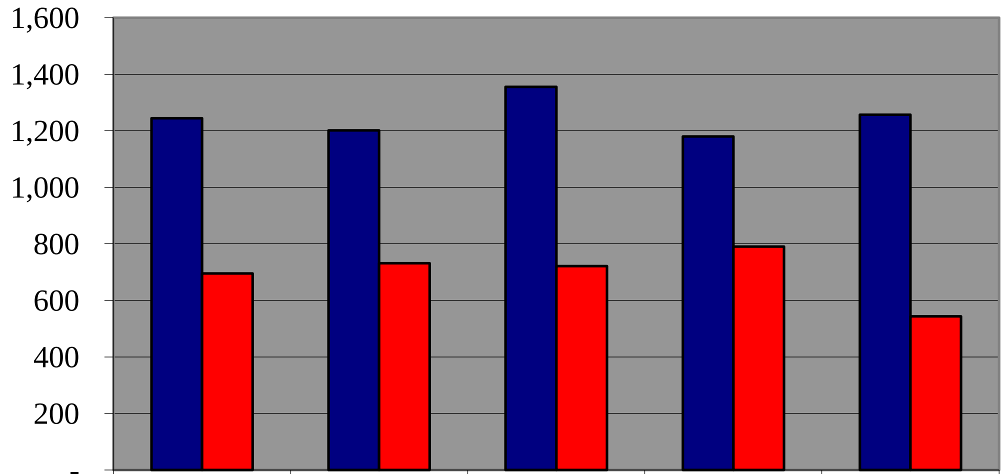
Source: National Association of State Boards of Accountancy

NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

Exhibit B

CPA PERMITS AND INACTIVE REGISTRATIONS

For the Two-Year Renewal Periods 2012 through 2018



	2012-2014	2013-2015	2014-2016	2015-2017	2016-2018
CPA Permits	1,245	1,202	1,355	1,180	1,257
CPA Inactive Registrations	695	732	721	790	544

Note: Data includes renewals and initial filings. Permits and Registrations are on a biennium renewal period. The renewal periods depend on an individual's birth year. For instance, the 2016 - 2018 column reflects individuals with odd numbered birth years who currently have permit and inactive registrations effective for 2016 and 2017 that will need to be renewed in 2018.

Source: Nebraska Board of Public Accountancy 2016 Annual Letter