

**ATTESTATION REPORT
OF THE
NEBRASKA INVESTMENT FINANCE AUTHORITY
JULY 1, 2015, THROUGH FEBRUARY 28, 2017**

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Issued on July 14, 2017

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NEBRASKA INVESTMENT FINANCE AUTHORITY

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NEBRASKA INVESTMENT FINANCE AUTHORITY

BACKGROUND

On March 10, 2017, the State Treasurer formally requested the Auditor of Public Accounts (APA) to conduct an audit of the Nebraska Investment Finance Authority (NIFA). In response to that request, the APA met with NIFA staff on March 15, 2017, to discuss our planned preliminary audit procedures. One of the procedures discussed at the time involved reviewing the audit working papers for NIFA's fiscal year 2016 financial audit, which had been conducted by KPMG, an independent certified public accounting firm. On April 5, 2017, as discussed, the APA met with KPMG representatives and reviewed the NIFA audit working papers.

Based upon the information obtained from that meeting and the working paper review, the APA determined it to be necessary, in accordance with Neb. Rev. Stat. § 84-304 (Cum. Supp. 2016), to conduct an attestation of NIFA's general and administrative expenses for the period July 1, 2015, through February 28, 2017.

NIFA was created as a quasi-governmental instrumentality in 1983 pursuant to § 58-226 of the Nebraska Investment Finance Authority Act, which is set out at Neb. Rev. Stat. § 58-201 to § 58-272 (Reissue 2010, Cum. Supp. 2016). The creation of NIFA consolidated the Nebraska Mortgage Finance Fund, the Nebraska Agricultural Development Corporation, and the Nebraska Development Finance Fund.

The 2016-2017 Nebraska Blue Book (Blue Book) lists NIFA under the chapter entitled "Other State Governmental Bodies." The Blue Book describes the entities designated therein as "miscellaneous boards, commissions, committees, councils, authorities and quasi-governmental bodies and bodies with members from more than one branch of state government." Though not "full-fledged state agencies," the Blue Book explains, such governmental bodies "have a degree of independence that keeps them from being classified within any department or agency."

The purpose of NIFA is to provide a broad range of financial services and resources, which include:

- Low-to-moderate income home mortgage financing.
- Affordable housing financing.
- Hospitals and other healthcare facilities financing.
- Financing for first-time farmers.
- Financing for other industries, enterprises, and projects.

NIFA receives no state tax dollars. To carry out many of its programs, NIFA borrows money through the issuance of its bonds and other obligations (which are not obligations of the State). Revenues earned in connection with these and other programs are the source of funds to pay for the operating expenses of NIFA. NIFA does not have taxing authority.

In response to the State Treasurer's request for its financial information to be published on the State's spending website, NIFA created a separate website to publish its own financial data. According to the April 21, 2017, meeting minutes of the NIFA Board of Directors, that website (<https://spending.nifa.org>) was operational by mid-April 2017.

NEBRASKA INVESTMENT FINANCE AUTHORITY

BACKGROUND (Concluded)

For the period July 1, 2015, through February 28, 2017, NIFA paid 13 different vendors at least \$100,000 each, as illustrated in the following table.

	Vendor Name	Type of Service	Amount Paid
1	Cline Williams Wright Johnson & Oldfather, LLP	Litigation and Legal	\$1,276,421.89
2	Kutak Rock, LLP	Litigation and Legal	1,137,090.06
3	Blue Cross Blue Shield	Insurance	629,830.62
4	CFX, Inc.	Consulting	531,919.24
5	Principal Financial Group	Retirement	385,820.39
6	Joseph Hage Aaronson, LLC	Litigation and Legal	313,394.39
7	Nebraska Housing Resource	Contractual Services	300,100.00
8	Commerce Court	Office Rent	244,546.69
9	KPMG, LLP	Audit and Consulting	182,901.00
10	African American Empowerment Network, Inc.	Contractual Services	151,095.00
11	Prairie Gold Homes, Inc.	Contractual Services	150,000.00
12	Western Economic Services, LLC	Consulting	128,424.94
13	Zeffert & Associates	Contractual Services	118,590.00

Note 1: The type of service does not necessarily reflect the account coding as identified in the schedule.

It should be noted that the information in the above table is based upon expenses recorded as “General and Administrative Expense” in NIFA’s accounting system. Furthermore, this table does not include payroll costs and related benefits, which are summarized in **Exhibit A**.

In addition to their salaries, NIFA employees receive health insurance, life insurance, other group insurance (e.g. dental and long-term disability), a YMCA membership, parking, and a health saving account, which are funded entirely or in part by NIFA. The Director also received deferred compensation and an automobile allowance funded by NIFA. See **Exhibit A** for pay and benefits funded by NIFA per employee job title. **Exhibit A** does not include any withholdings from employees or employee expense reimbursements. In addition to the benefits listed above, some employees are reimbursed a portion of their cell phone costs.

Per § 58-226, NIFA consists of nine members, six of whom are appointed by the Governor and must meet the experience requirements outlined in the statute. The Director of the Department of Economic Development, Director of the Department of Agriculture, and the Nebraska Investment Council chairperson serve as ex-officio members. Furthermore, § 58-226 allows each of these three ex-officio members to select a representative to perform their respective duties, as required. Neb. Rev. Stat. § 58-228 (Reissue 2010) provides that the Director of Economic Development is to serve as the chairperson of the authority.

NEBRASKA INVESTMENT FINANCE AUTHORITY

KEY OFFICIALS AND NIFA CONTACT INFORMATION

Nebraska Investment Finance Authority Board Members

Name	Title	Represents
Courtney Dentlinger	Chairperson	Ex-Officio Member
Marlin Brabec	Member	Licensed Real Estate Broker
Herb Freeman	Member	Public at Large
Galen E. Frenzen	Member	Agricultural Production
Mark Graff	Member	Banking or Investment Banking
Michael B. Maroney	Member	Real Estate Development
Mary Jo McClurg	Member	Housing Mortgage Credit
Mat Habrock	Member	Ex-Officio Member Designee
Michael Walden-Newman	Member	Ex-Officio Member Designee

Nebraska Investment Finance Authority Key Employees

Name	Title
Tim Kenny	Executive Director
Christie Weston	Deputy Director
Judy Krasomil	Treasurer
Steve Clements	Chief Operating Officer
Jody Cook	Accounting Manager

Nebraska Investment Finance Authority
1230 O Street, Suite 200
Lincoln, NE 68508-1402
www.nifa.org

NEBRASKA INVESTMENT FINANCE AUTHORITY

SUMMARY OF COMMENTS

Our examination of the Nebraska Investment Finance Authority (NIFA) disclosed no findings that are required to be reported under *Governmental Auditing Standards*. However, we noted certain operational matters that are presented here.

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

1. ***Expenditures Issues:*** During testing of operating expenses, the APA noted several questionable and unreasonable travel expenditures in the Executive Director's business expense reimbursement, which covered almost an entire year. The APA also noted that NIFA paid for alcohol and related service charges for its annual conference rather than having the sponsors pay for these expenses directly. Furthermore, hourly billing rates for legal services were increased after the services were rendered, and donations and sponsorship expenses had inadequate supporting documentation on file.
2. ***Payroll Issues:*** During testing of payroll, the APA noted that the Executive Director received \$188 more than authorized in 2016, periodic reviews of payroll calculations of tax withholdings and net pay were not performed, and one non-employee had administrator access to the payroll system.

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 NIFA.

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

NEBRASKA INVESTMENT FINANCE AUTHORITY

COMMENTS AND RECOMMENDATIONS

1. Expenditures Issues

The APA tested a sample of 15 general operating expenses paid during the period July 1, 2015, through February 28, 2017, to ensure that adequate supporting documentation was on file for them, as well as to ascertain whether the various expenses appear to have been reasonable and necessary for NIFA's purpose. The expenses selected included payments for litigation and legal services, sponsorships/donations, contractual services, office rent, and employee reimbursements. The following issues were observed during testing:

Business Expense Reimbursement

During the period tested, the Executive Director had seven expense reimbursements from NIFA totaling \$30,773. The APA tested one \$18,150 expense reimbursement to the Executive Director, which covered almost a full year of expenses at one time. According to NIFA's benefit summary on business expense reimbursements, "Employee expense reimbursements will be paid once a week." However, this particular reimbursement covered travel and related expenses from July 19, 2015, through June 24, 2016. In addition to the request not being submitted timely, the APA identified several issues, as summarized below.

1. In one instance, the Executive Director requested and was reimbursed for the amount of change received instead of the actual amount paid. On October 6, 2015, he had paid \$20 for a \$3 garage parking fee and was given back \$17 in cash. However, the amount reimbursed was \$17 instead of the \$3 paid. The APA has included a copy of the receipt below.



NEBRASKA INVESTMENT FINANCE AUTHORITY

COMMENTS AND RECOMMENDATIONS (Continued)

1. Expenditures Issues (Continued)

When amounts are reimbursed in excess of what the employee actually paid, there is an increased risk for the loss of NIFA funds.

- The APA observed a reimbursement for mileage on November 20, 2015, that was highly questionable. The Executive Director rented a car in Lincoln, NE, from November 19-20, 2015, for a November 20th meeting with Bob Peters in Omaha, NE. There was a note on the expense reimbursement that said "CAR in Shop." However, the Executive Director also requested a mileage reimbursement for November 20, 2015, which stated "Bob Peters Hiro 898," totaling 108 miles. The APA has included copies of both reimbursement requests below.

Rental Car Reimbursement for 11/19 and 11/20

ENTERPRISE RENT-A-CAR COMPANY - MIDWEST, 310 SOUTH 10TH STREET, LINCOLN, NE 685082222 (402) 476-6800																																			
RENTAL AGREEMENT 138908		REF# 2WRD1X																																	
RENTER KENNY, TIMOTHY R		SUMMARY OF CHARGES																																	
DATE & TIME OUT 11/19/2015 05:09 PM		<table border="1"> <thead> <tr> <th>Charge Description</th> <th>Date</th> <th>Quantity</th> <th>Per</th> <th>Rate</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>TIME & DISTANCE</td> <td>11/19 - 11/20</td> <td>1</td> <td>DAY</td> <td>\$33.00</td> <td>\$33.00</td> </tr> <tr> <td>REFUELING CHARGE</td> <td>11/19 - 11/20</td> <td></td> <td></td> <td></td> <td>\$0.00</td> </tr> <tr> <td colspan="5">Subtotal:</td> <td>\$33.00</td> </tr> <tr> <td colspan="5">Total Charges:</td> <td>\$33.00</td> </tr> </tbody> </table>				Charge Description	Date	Quantity	Per	Rate	Total	TIME & DISTANCE	11/19 - 11/20	1	DAY	\$33.00	\$33.00	REFUELING CHARGE	11/19 - 11/20				\$0.00	Subtotal:					\$33.00	Total Charges:					\$33.00
Charge Description	Date	Quantity	Per	Rate	Total																														
TIME & DISTANCE	11/19 - 11/20	1	DAY	\$33.00	\$33.00																														
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BILLING CYCLE 24-HOUR		PAYMENT INFORMATION		CREDIT CARD NUMBER																															
VEH #1 2015 VOLK JETT SEV		AMOUNT PAID		xxxxxxxxxxxx0825 PENDING																															
VIN# 3VWD17AJ7FM334950		TYPE																																	
LIC# 253LYR		Visa																																	
MILES DRIVEN 128																																			
Group: [unclear] Omaha, Ne 68102																																			
Server: Meghan																																			
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11-20-15
Omaha Meeting
w/ Bob Peters
and Ted Simpson
car in shop

NEBRASKA INVESTMENT FINANCE AUTHORITY

COMMENTS AND RECOMMENDATIONS
(Continued)

1. **Expenditures Issues** (Continued)

Mileage Reimbursement for 11/20

Mileage 2015 and 16				
Date	To	Miles	Rate	Ext
11/20/2015	Bob Peters Hiro 898	108		
Total 2015		1238	0.575	711.85

The APA identified a second mileage reimbursement request for 108 miles that was also questionable. The Executive Director requested a mileage reimbursement on November 16, 2015, for “Urban Thinkers Lab Omaha.” However, the Executive Director was already staying in Omaha for a University of Nebraska Omaha – United Nations Meeting from November 15th through the 17th, per the Residence Inn by Marriott Omaha Aksarben Village hotel billing reimbursement totaling \$399.40. Per discussion with NIFA, the reimbursement was for the Executive Director’s trip to Omaha on November 15th and the trip back on November 17th. However, the expense reimbursement only noted November 16th for the mileage.

Finally, according to the Executive Director’s contract, “The Employee shall be entitled to the following benefits during the term of this Agreement . . . (d) a \$400-per-month automobile allowance plus mileage reimbursable in accordance with the Authority’s regular policies.”

The APA identified a lack of documentation to support one large cumulative mileage reimbursement request comprised of numerous trips, including those detailed above, totaling \$1,246. The request did not provide enough information to recalculate the miles reimbursed in many cases. Examples included “6/1/2016 NMTC Conf DCA” and “4/18/2016 Meet with Bill Brush.” The APA also questions the need for automobile allowances, in-state rental car reimbursements, and additional mileage reimbursements. The APA observed rental car charges for trips in Nebraska on at least 11 occasions, which included additional gas charges, while he was also reimbursed for 20 trips for which he received the \$1,246 in mileage reimbursements.

NEBRASKA INVESTMENT FINANCE AUTHORITY

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Expenditures Issues** (Continued)

3. The Executive Director requested and was reimbursed for staying five times at Nebraska hotels and incurring \$126 of lodging taxes, which NIFA should be exempt from paying. When employees are staying in Nebraska, NIFA should attempt to direct bill or work with the lodging establishment in order to avoid unnecessary taxes, including use and lodging taxes. The APA also observed sales tax reimbursed on rental car charges.
4. Several of the reimbursements for meals and lodging did not appear reasonable based on the amount reimbursed. According to NIFA's benefit summary on business expense reimbursements, "You are encouraged to book your own flight and lodging but need to use prudence when doing so to ensure the airfare and lodging costs are reasonable." However, there is no definition on what is reasonable, and the summary does not address the reasonableness of meals. The Federal General Services Administration (GSA) has established a baseline that the APA utilizes to determine whether expenses are reasonable based on the specific travel location. The GSA per diem rates provide guidance for breaking down the cost of government employee meals between breakfast, lunch, dinner, and incidentals. The GSA guideline is utilized by, among others, the State of Nebraska and the Federal government to determine reasonableness.

The following are some examples of unreasonable NIFA expenditures for meals and lodging identified by the APA:

- A one-night charge at The Arctic Club Seattle in Seattle, WA, for \$419 (plus \$67.36 in taxes and fees). Per the description on the reimbursement, the original hotel reservation was too short, so additional accommodations had to be obtained at a nearby Hilton. The other three nights were at the Marriott and ranged from \$284 to \$369 per night. The GSA guideline allows \$202 per night.
 - A dinner for the Executive Director, a Board Member, and his spouse, totaling \$196, in Washington, DC. The GSA guideline allows \$31 each or \$93 for three individuals.
 - A dinner in Seattle, WA, totaling \$138.10, for the Executive Director and the CEO of the Midwest Housing Equity Group, which was a credit card receipt. The GSA guideline allows \$34 each or \$68.
 - A lunch meal in Omaha, NE, totaling \$58, for the Executive Director and a Board Member. The GSA guideline allows \$16 each or \$32.
5. The APA observed a number of meals reimbursed that lacked adequate documentation. On at least 40 occasions, the Executive Director submitted only the final credit card receipt copy, as opposed to the actual itemized meal restaurant receipt. Without an itemized receipt, there is no way to determine whether expenses were reasonable and in compliance with NIFA's policies, which prohibit the purchase of alcohol.

NEBRASKA INVESTMENT FINANCE AUTHORITY

COMMENTS AND RECOMMENDATIONS (Continued)

1. Expenditures Issues (Continued)

6. The Executive Director incurred a number of reimbursements for meals that were not part of overnight travel. This included a significant number of meals inside the area of his place of business or, per the Internal Revenue Service, “tax home” (Lincoln, NE) – which, depending on the nature of the expense, may need to be added to taxable income. The State of Nebraska adds any reimbursements to taxable income for those State employees who received \$200 or more in any one year for meal expenses incurred during one-day travel. We understand that, being a quasi-governmental entity, NIFA is not subject to the State Accounting Manual, which applies to State agencies; however, we recommend that NIFA consult with the Internal Revenue Service or the Nebraska Department of Revenue to ensure proper compliance for related expenses.

A good internal control plan and sound business practices include procedures to ensure travel costs incurred by, and reimbursed to, employees are reasonable, necessary, and supported by adequate documentation to prevent fraud or abuse. Such procedures should also ensure that reimbursements are handled in accordance with any applicable tax laws.

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

We recommend NIFA implement procedures to ensure adequate documentation is obtained and maintained to support travel expenses. Such procedures should include monitoring of expenses to ensure they are reasonable and necessary and in compliance with relevant policies. The procedures should also ensure that reimbursements are handled in accordance with any applicable tax laws. Although sections 1.1 and 1.2 of the present comment point to an apparent mishandling of a relatively minimal amount of funds, we are required to forward this information to the Nebraska Attorney General for possible further review nonetheless.

1.1 *NIFA Response: The \$18,150 expense reimbursement submitted by the Executive Director did cover multiple months. The Executive Director pays expenses on his own credit card and files a comprehensive and consolidated report as needed. The APA refers to NIFA’s benefit summary which states that “Employee expense reimbursements will be paid once a week.” This reference refers to NIFA’s policy of how quickly NIFA will reimburse employees (which is once a week.) It is not a requirement for employees to submit requests for reimbursement of expenses on a weekly basis. The APA noted that the Executive Director was reimbursed for \$17 rather than \$3 for a parking charge. The Executive Director has reimbursed NIFA for \$14.*

1.2(a) *NIFA Response: The reimbursement of mileage in the amount of \$62.10 was in error and the Executive Director has reimbursed NIFA for that amount. The Executive Director normally does not utilize a rental car for trips to Omaha. In this case, his personal car was in the shop and a vehicle was rented to travel to his meeting in Omaha. When calculating his mileage reimbursements from his calendar for that period, the Executive Director inadvertently included*

NEBRASKA INVESTMENT FINANCE AUTHORITY

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Expenditures Issues** (Continued)

mileage for that trip. NIFA accounting staff does comparisons from reimbursement requests if dates for car rentals and mileage reimbursement requests appear to overlap. In this instance, this overlap was not identified. We will provide additional training to those reviewing reimbursement requests to avoid this happening in the future.

1.2(b) *NIFA Response: The expenses submitted for this two-day meeting in Omaha are accurate. The Executive Director requested a mileage reimbursement for 108 miles for November 16, 2015. The reimbursement was actually for a 2-day conference in Omaha which included November 16th, but which commenced on November 15, 2015, with a return trip to Lincoln on November 17, 2015. The references to “Urban Thinkers Lab Omaha” and “University of Nebraska Omaha-United Nations Meeting” are references to the same meeting.*

1.2(c) *NIFA Response: The mileage reimbursement request for multiple trips cumulating \$1,246 and noted by the APA contained adequate information and sufficient descriptions for NIFA staff familiar with NIFA programs and activities to review for approval. The Executive Director’s mileage reimbursement was submitted on a schedule listing the date, destination and purpose of the travel. We note that supplying a more detailed description in the documentation for travel reimbursement may assist those unfamiliar with NIFA activities and we will implement such a procedure. With respect to the APA’s questions regarding the need for an automobile allowance for the Executive Director, in-state rental car reimbursements and mileage, pursuant to his contract, the Executive Director is entitled to a car allowance plus mileage reimbursable in accordance with NIFA’s policies. When traveling across the state, the Executive Director uses his judgement in deciding the most economical mode for travel. Generally for shorter trips he reports mileage while for lengthy travel across the state, in order to save costs to NIFA, he rents a car (often at the Lincoln airport where rates are generally lower than other locations) which is normally less expensive than reimbursement for mileage but a parking charge for access to the airport facility is incurred.*

1.3 *NIFA Response: NIFA uses its best efforts to utilize the state tax exemption when purchasing goods or services. Because NIFA is not a state agency, we do not have the ability to arrange a “direct bill” or work with lodging establishments in the state to, in each case, avoid paying lodging taxes. Similarly, because our “buying power” is not that of the state, we have not been able, in every case, to contract with all rental car companies to avoid paying sales tax on car rentals. In both cases, a government-issued ID and a government credit card are often required. We appreciate the comment by the APA and will continue to investigate how we might be able to further take advantage of Nebraska tax exemptions.*

1.4(a) *NIFA Response: The NIFA staff responsible for reviewing reimbursements for meals and lodging pays particular attention to the location and purpose of the reimbursement to ensure that both lodging and meal expenditures are reasonable for the particular circumstance of the travel. We believe that all reimbursements to date for lodging and meals have been reasonable and consistent with federal tax rules. The Federal General Services Administration (GSA) guidelines are not, in the case of NIFA, an appropriate measurement in terms of whether or not lodging*

NEBRASKA INVESTMENT FINANCE AUTHORITY

COMMENTS AND RECOMMENDATIONS

(Continued)

1. Expenditures Issues (Continued)

and/or meal expenditures are reasonable. Because NIFA is not a state agency and NIFA employees do not have state employee identification or state-issued credit cards, NIFA is generally unable to obtain government rates for lodging, travel or other types of expenses. Additionally, NIFA does not provide a “per diem” amount for employees for meals when traveling (unlike that provided by the federal government expenditures to which the GSA guidelines relate). NIFA reimburses only those expenses actually incurred. We monitor expenses closely and if lodging or meal expenses appear out of the ordinary for the specific type and location of travel or meeting, we follow up to determine the reason and adjust accordingly if necessary.

1.4(b) *NIFA Response: From time to time, the duration of travel is extended unexpectedly. When this occurs, our employees are limited in terms of overnight accommodations, particularly if they are attempting to stay close to their meeting sites. When reservations need to be adjusted, NIFA does its best to obtain accommodations at reasonable rates based on the situation (e.g., availability of accommodations, rate, transportation costs, etc.). The meal reimbursements referred to by the APA were determined by NIFA to be reasonable for NIFA travel (e.g., the location, purpose, client/vendor, etc.).*

1.5 *NIFA Response: NIFA determined that the meal reimbursements based upon credit card receipts referred to by the APA were, in fact, reasonable based upon the location of the restaurant and the number of people included at the meal. While not a federal requirement, we concur that an itemized receipt, along with the credit card receipt, would provide additional information for meal documentation and will implement that procedure.*

1.6 *NIFA Response: With respect to questions regarding the reimbursement for meal expenses incurred by the Executive Director within his “tax home” and not part of over-night travel, such expenses were incurred in connection with NIFA-related business meetings and are not taxable income to the Executive Director. The IRS January 2014 Fringe Benefit Guide recognizes this tax treatment. We believe we are in compliance with both Nebraska state and federal laws in this regard.*

We appreciate the recommendations from the APA with respect to procedures regarding the reimbursement of expenditures. While the expense reimbursement errors noted by the APA were both minor and inadvertent, NIFA will evaluate and strengthen, where necessary, its policies and procedures regarding both submission and review of expense reimbursements to facilitate the detection of errors. NIFA’s current review procedures do ensure that such expenses are reasonable and necessary and in compliance with NIFA policies before approving the reimbursement and we believe that all reimbursements have been handled in accordance with NIFA’s policies and applicable laws.

NEBRASKA INVESTMENT FINANCE AUTHORITY

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Expenditures Issues** (Continued)

Annual Conference Expenses

NIFA paid for alcohol and related service charges, totaling \$1,449.58, for its annual conference reception on March 22, 2016. These amounts included 49 Domestic Beers (\$208.25); 42 Specialty Beers (\$189); 86 Premium Spirits (\$473); 57 House Wine by the Glass (\$327.75); and Service Charges of 21% (\$251.58). NIFA indicated they received sponsorships to assist in paying for conference expenses.

According to NIFA's benefit summary on business expense reimbursements, "NIFA will not pay for alcoholic beverages."

We recommend that, when providing alcohol at its annual conference or other activities, NIFA should have the sponsor pay directly for those expenses.

NIFA Response: NIFA's benefit summary providing that "NIFA will not pay for alcoholic beverages" applies to requests for reimbursement from individual employees and is not a restriction on the expenditure for alcoholic beverages funded by sponsors in connection with conferences hosted by NIFA. NIFA has policies and procedures in place to ensure that costs related to alcohol at conferences are not costs to NIFA. Specifically, in connection with NIFA's 2016 housing conference, attended by almost 400 persons, where limited alcohol was served at an end of the day reception, NIFA specifically identified the sponsor funds at the reception (with the sponsor's consent) and, when collected, documented their use for the provision of reception beverages, including alcohol. The costs of the 2016 reception questioned by the APA were properly described, documented and clearly advertised during the reception and the conference as funded by the specific sponsor's funds. We note that with regard to 2017 Conference, the costs of the reception (where alcohol was served) were paid by a party other than NIFA.

Legal Expenses

The APA tested two expenses for legal services. Both invoices were dated May 27, 2016, covering the billing period from January through March 2016. In a May 18, 2016, letter, however, the billing entity requested approval for increased rates and additional staff retroactive back to January 1 of that year.

Good business practices require procedures to ensure that payments for services are made in accordance with the rates agreed upon prior to the provision of those services. When payments are made in excess of contracted amounts, there is an increased risk for the loss of NIFA funds.

We recommend NIFA ensure contractors are paid in accordance with contracted amounts.

NEBRASKA INVESTMENT FINANCE AUTHORITY

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Expenditures Issues** (Concluded)

NIFA Response: Due to Mr. Kenny's absence for major surgery in late 2015 and early 2016, discussions with respect to the increase in billable rates for 2016 (which were applicable to only 3 of the 44 individuals providing legal services on NIFA matters), were not finalized until the spring of 2016. As of May 18, 2016, legal services from January 1 of that year had not yet been submitted to NIFA for payment. The May 18, 2016 letter did request that matters from January 1, 2016 with respect to those three individuals requesting increases be billed at the 2016 rates and NIFA so agreed. The remainder of the entries in the attachment to the letter related to individuals who had not previously been listed on the January 2015 schedule, but whose rates had been approved by NIFA for payment during the year of 2015. The rates of those individuals did not increase in 2016.

Donation and Sponsorship Expenses

NIFA provided donations and sponsorships to certain organizations, including a \$25,000 sponsorship to the Nebraska 4-H Foundation and a \$25,000 donation/sponsorship to the Nebraska FFA Foundation. Because each such payment was supported by only a one-page invoice, there was insufficient documentation to allow for an independent determination as to what specific activity was being sponsored or what benefit was being provided.

A good internal control plan requires adequate procedures to ensure documentation is sufficient to support that NIFA donations and sponsorships are being used as intended. Without such procedures, there is an increased risk for the loss or misuse of funds.

We recommend NIFA implement procedures to ensure sufficient documentation is maintained to support that donations and sponsorships granted are used for their intended purposes.

NIFA Response: The annual sponsorships of \$25,000 to the Nebraska 4-H Foundation and \$25,000 to the Nebraska FFA Foundation continue a long-term relationship NIFA has had with each organization in support of their activities, which are consistent with the agricultural mission of NIFA. The sponsorships provide NIFA with marketing and advertising benefits which further assist in providing awareness of NIFA's agricultural programs. NIFA's Board approves the annual expenditures as part of the NIFA budget. NIFA receives a written report or an annual visit from each organization. NIFA representatives and the Governor, or his representative, attends the annual award event. This participation and the materials NIFA has received over the years in connection with these sponsorships have provided NIFA with sufficient information to determine the specific activity sponsored and the benefit provided to NIFA. We appreciate the comment of the APA regarding these sponsorships and, going forward, will collect and maintain additional written documentation related to each year's request for all such sponsorships, grants, etc.

NEBRASKA INVESTMENT FINANCE AUTHORITY

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Payroll Issues**

In addition to examining the payroll costs for 10 NIFA employees during the period tested, the APA reviewed payroll system access. As a result, the APA noted the issues described below.

Executive Director's Salary

The APA noted that the Executive Director received \$188 more in 2016 for his salary than the amount authorized by his contract and the approved cost-of-living adjustments (COLA). According to NIFA, this overpayment was due to the COLA being calculated on his base salary and deferred compensation amounts. The Executive Director's salary had not been adjusted to the authorized amount at the time of our testing.

Paragraph 4, "Compensation," of the Executive Director's employment contract states, in relevant part, the following:

For all services rendered by the Employee during the employment period, the Authority will pay the Employee a monthly salary . . . to be increased in proportion to the increase in the annual cost of living as measured by the increase in the Consumer Price Index for Urban Wage Earners

Furthermore, Paragraph 6, "Benefits," of the contract provides a set amount for deferred compensation that is not adjusted by the COLA.

A good internal control plan and sound business practices include procedures to ensure that employees' salaries/wages agree to their authorized amounts, including any approved cost-of-living adjustments and other approved increases, per employment contracts. Without such procedures, there is an increased risk that an employee may be paid more than authorized, resulting in a loss of funds.

Lack of Periodic Payroll Review

NIFA utilizes Paychex, a New York based company, to provide payroll processing services. However, NIFA does not perform periodic reviews of the payroll calculations done by the vender to ensure that tax withholdings and net pay are accurate.

A good internal control plan and sound business practices require an independent, periodic review of payroll costs, including tax withholdings and employee net pay, to ensure that payroll is calculated correctly. Without such a review, there is increased risk of loss and/or misuse of funds.

Payroll System Access

The APA observed a listing of individuals with access to the payroll system to determine if such access was appropriate. The APA noted that one non-employee had Administrator access to the payroll system, which would allow that individual to change employee data, W-4 information, and pay rates.

A good internal control plan requires that procedures be in place to ensure access to the payroll system is reviewed and is appropriate for the individual based upon his or her job responsibilities. Without such procedures, there is an increased risk of unauthorized access to the system, which could lead to loss and/or misuse of funds.

NEBRASKA INVESTMENT FINANCE AUTHORITY

COMMENTS AND RECOMMENDATIONS (Concluded)

2. **Payroll Issues** (Concluded)

We recommend NIFA implement procedures to ensure the following:

- Employees' salaries/wages agree to authorized amounts, including any approved cost-of-living adjustments.
- An independent, periodic review is conducted to ensure the accuracy of payroll calculations done by Paychex.
- A periodic review of payroll system access is performed to ensure that such access is based upon job responsibilities.

Executive Director's Salary

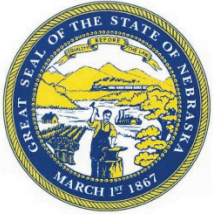
NIFA Response: The Executive Director does not calculate the amount of his salary and was unaware of the overpayment of \$188/year or \$16/ month or \$8/pay period. The Executive Director's salary adjustment noted by the APA has been recognized and is due to prior periods where a COLA calculation was applied to a contractual benefit. That process has been corrected. An adjustment of the Executive Director's salary, while immaterial, has been made and the \$188 recovered by NIFA. In connection with current reconciliation procedures relating to the Executive Director's compensation, changes will be made to better ensure that errors are detected and corrected.

Lack of Periodic Payroll Review

NIFA Response: Payroll amounts are reviewed by NIFA staff every payroll period from an initial amount each calendar year and if they deviate, are investigated and reconciled. This review does not include a recalculation of state and federal withholding as a national payroll provider, Paychex, performs those calculations. The amount of state and federal withholdings are monitored for changes every pay period. During the attestation review by the APA, we performed test calculations of federal and state withholdings and found them to be accurate in all cases. We appreciate the comment from the APA and will revise our review procedures to implement testing to include calculations for federal and state withholdings.

Payroll System Access

NIFA Response: The non-employee noted to have administrative payroll access was legal counsel representing NIFA in connection with a specific legal question requiring access to certain information in our system in order to respond to the inquiry. This access was not removed upon the conclusion of the matter, but has now been removed. NIFA will implement specific procedures to periodically review payroll system access and make adjustments to access levels as deemed necessary.



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NEBRASKA INVESTMENT FINANCE AUTHORITY

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Investment Finance Authority
Lincoln, Nebraska

We have examined the accompanying Schedule of General and Administrative Expenses of the Nebraska Investment Finance Authority (NIFA) for the period July 1, 2015, through February 28, 2017. NIFA's management is responsible for the Schedule of General and Administrative Expenses based on the accounting system and procedures set forth in Note 1. Our responsibility is to express an opinion on the Schedule of General and Administrative Expenses 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 General and Administrative Expenses 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 General and Administrative Expenses. 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 General and Administrative Expenses, 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 General and Administrative Expenses for the period July 1, 2015, through February 28, 2017, is based on the accounting system and procedures prescribed by NIFA, 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 General and Administrative Expenses 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 General and Administrative Expenses or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed no findings that are required to be reported under *Government Auditing Standards*.

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

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

Charlie Janssen
Auditor of Public Accounts
Lincoln, Nebraska

July 13, 2017

NEBRASKA INVESTMENT FINANCE AUTHORITY
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES

For the Period July 1, 2015, through February 28, 2017

	July 1, 2015 - June 30, 2016	July 1, 2016 - February 28, 2017	Total
GENERAL AND ADMINISTRATIVE EXPENSES:			
7100-010 Salaries	\$ 1,895,888.55	\$ 1,209,051.10	\$ 3,104,939.65
7100-030 Salaries - Part Time	17,872.40	12,089.08	29,961.48
7100-100 Retirement Plan	156,280.08	94,910.16	251,190.24
7100-200 Employee Insurance	492,196.01	318,276.06	810,472.07
7100-300 Taxes - FICA	135,087.24	82,047.16	217,134.40
7100-301 Taxes - FUTA	1,254.81	1,046.66	2,301.47
7100-302 Taxes - SUTA	1,095.22	1,249.00	2,344.22
7100-400 Other Pers. Costs	68,544.29	36,652.56	105,196.85
7200-010 Office Supplies	30,753.70	18,155.64	48,909.34
7200-020 Dues and Publications	63,373.96	35,753.04	99,127.00
7200-030 Elec. Communications	52,290.51	31,519.70	83,810.21
7200-040 Postage	7,335.52	5,825.85	13,161.37
7200-060 Printing and Advertising	59,995.58	33,404.99	93,400.57
7200-071 Liability Insurance	97,897.36	60,440.85	158,338.21
7200-110 Equipment Maintenance	10,191.97	8,421.52	18,613.49
7200-120 Equipment Repair	95.00	-	95.00
7200-130 Equipment Rental	19,289.86	534.90	19,824.76
7200-300 Depreciation Expense	69,763.81	53,380.70	123,144.51
7200-410 Travel - Regular	50,150.05	30,463.41	80,613.46
7200-420 Travel - Outreach Program	20,894.82	14,786.74	35,681.56
7200-800 Board Expense	12,876.61	5,626.08	18,502.69
7200-820 Meeting Registration	36,846.68	36,071.16	72,917.84
7200-830 Microfilm Services	995.00	915.00	1,910.00
7300-010 Audit	94,901.00	88,000.00	182,901.00
7300-020 Legal - Kutak, Rock	755,701.71	312,959.37	1,068,661.08
7300-022 Litigation As Defend	549,926.44	410,421.29	960,347.73
7300-025 Legal - Other	520.00	3,762.00	4,282.00
7300-030 Consulting	376,589.70	319,356.01	695,945.71
7300-033 Contractual Services	668,441.50	547,349.37	1,215,790.87
7300-035 Legal - Publications	13,480.97	6,508.16	19,989.13
7400-040 Computer Software and Hardware Maintenance	301,323.28	171,337.48	472,660.76
7400-050 Computer Supplies	148.23	437.68	585.91
7400-060 Micro Computer	45,584.74	17,893.02	63,477.76
7400-095 Software Amortization - Alice	4,783.40	5,879.50	10,662.90
7400-096 Software Amortization - Other	6,298.12	4,026.59	10,324.71
7500-010 Office Rent - Lincoln	165,964.30	109,094.74	275,059.04
7500-030 Building Maintenance	1,623.60	1,999.70	3,623.30
7600-010 Mortgage Service Fees	3,170.20	2,058.10	5,228.30
7950-010 Trustee Fees	143,173.45	74,680.13	217,853.58
7950-050 Other Bond Expenses	1,116,379.97	727,990.31	1,844,370.28
7950-055 Other Bond Expenses - Remarket	292,832.28	202,211.52	495,043.80
7985-000 Grant Expense	-	-	-
7990-090 Other Dev. Expend.	352,542.00	106,325.00	458,867.00
TOTAL GENERAL AND ADMIN. EXPENSES	\$ 8,194,353.92	\$ 5,202,911.33	\$ 13,397,265.25

The accompanying notes are an integral part of the Schedule.

NEBRASKA INVESTMENT FINANCE AUTHORITY

NOTES TO THE SCHEDULE

For the period July 1, 2015, through February 28, 2017

1. Criteria

The Nebraska Investment Finance Authority (NIFA) utilizes Emphasys accounting software to record its financial transactions.

The Schedule of General and Administrative Expenses has been prepared. For fiscal year 2016, the APA reconciled the amounts on the Schedule to the general and administrative expenses on the fiscal year 2016 audit report released by KPMG, independent auditor. The general and administrative expenses for the period July 1, 2016, through February 28, 2017, are based on the disbursements basis prescribed by NIFA.

2. Reporting Entity

NIFA was created as a quasi-governmental instrumentality in 1983 pursuant to § 58-226 of the Nebraska Investment Finance Authority Act, which is set out at Neb. Rev. Stat. § 58-201 to § 58-272 (Reissue 2010, Cum. Supp. 2016). NIFA is comprised of nine members consisting of six members appointed by the Governor, the Director of the Department of Economic Development, the Director of the Department of Agriculture, and the Nebraska Investment Council chairperson. Furthermore, Section 58-226 allows the three ex-officio members to select a representative to perform their duties as required.

The Schedule of General and Administrative Expenses reflects only the general and administrative activity of NIFA for the period July 1, 2015, through February 28, 2017, as recorded in the accounting system. The Schedule includes the account code as shown in accounting system. The Schedule does not include any other activity of NIFA.

NEBRASKA INVESTMENT FINANCE AUTHORITY

SUPPLEMENTARY INFORMATION

Our examination was conducted for the purpose of forming an opinion on the Schedule of General and Administrative Expenses. 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 General and Administrative Expenses, and, accordingly, we express no opinion on it.

NEBRASKA INVESTMENT FINANCE AUTHORITY
SALARIES, BONUSES, AND BENEFITS PAID BY NIFA
Calendar Year Ended December 31, 2016

EXHIBIT A

Job Title	Base Pay (1)	Deferred Compensation	Bonus	YMCA Membership	Automobile Allowance	Total
Executive Director	\$182,370.00	\$3,600.00	\$18,055.64	\$472.00	\$4,800.00	\$209,297.64
Director of Development	\$122,950.08		\$11,206.67	\$444.00		\$134,600.75
Treasurer	\$122,814.96		\$13,006.67	\$308.00		\$136,129.63
Chief Operating Officer	\$122,640.96		\$13,006.67	\$308.00		\$135,955.63
Deputy Director of Programs	\$84,247.68		\$8,514.22	\$540.96		\$93,302.86
Chief Homeownership Officer	\$81,953.70		\$8,114.22	\$540.96		\$90,608.88
Deputy Director	\$81,199.92		\$8,614.22	\$540.96		\$90,355.10
Accounting Manager	\$80,834.88		\$8,614.22	\$540.96		\$89,990.06
Tax Credit Compliance Specialist (2)	\$72,178.66		\$4,614.22			\$76,792.88
Assistant Homeownership Manager	\$71,035.20		\$6,814.22	\$472.00		\$78,321.42
LIHTC Allocation Manager	\$66,518.40		\$6,114.22	\$540.96		\$73,173.58
Agricultural Programs Manager	\$57,842.64		\$3,414.22	\$540.96		\$61,797.82
Manager of Nebraska Opportunity Fund	\$57,666.62		\$114.22			\$57,780.84
Homeownership Team Leader	\$53,276.40		\$4,514.22	\$540.96		\$58,331.58
LIHTC Compliance Manager	\$52,280.40		\$5,614.22	\$540.96		\$58,435.58
Outreach Program Manager	\$46,348.83		\$5,114.22	\$610.00		\$52,073.05
Homeownership Compliance Specialist	\$43,733.76		\$3,914.22	\$540.96		\$48,188.94
Homeownership Compliance Specialist	\$41,453.01		\$3,814.22	\$540.96		\$45,808.19
Marketing Specialist	\$41,181.45		\$3,614.22	\$472.00		\$45,267.67
Tax Credit Compliance Specialist	\$39,077.52		\$3,414.22	\$540.96		\$43,032.70
Staff Accountant	\$37,885.44		\$3,914.22	\$472.00		\$42,271.66
Allocation Specialist	\$37,323.60		\$2,014.22			\$39,337.82
Tax Credit Compliance Specialist	\$36,709.24		\$2,208.28	\$512.90		\$39,430.42
Outreach Program Coordinator	\$36,350.56		\$2,714.22			\$39,064.78
Administrative Assistant	\$32,837.28		\$2,914.22	\$540.96		\$36,292.46
Deputy Director of Operations (2)	\$30,894.82			\$98.35		\$30,993.17
Assistant Manager Place Base Development (2)	\$26,182.22			\$168.00		\$26,350.22
Tax Credit Compliance Specialist	\$15,256.35		\$108.28	\$174.40		\$15,539.03
Tax Credit Compliance Specialist (2)	\$10,987.47			\$157.78		\$11,145.25
Homeownership Compliance Specialist (2)	\$6,335.84			\$90.16		\$6,426.00
Subtotals	\$1,792,367.89	\$3,600.00	\$154,076.61	\$11,251.11	\$4,800.00	\$1,966,095.61
NIFA Paid Health Benefits				Paid Per Employee Range		Total
Health Insurance				\$1,868.56	\$21,907.68	\$315,548.33
Group Term Life Insurance (3)				\$4.80	\$3,131.88	\$14,816.58
Health Savings				\$0.00	\$2,600.00	\$61,100.00
Subtotal NIFA Paid Health Benefits						\$391,464.91
Total Including NIFA Paid Health Benefits						\$2,357,560.52

(1) Base pay includes leave, overtime, holiday, retroactive pay, PTO payouts, and miscellaneous income payments.

(2) These employees terminated during 2016, and therefore, were not employed by NIFA after December 31, 2016.

(3) This line does not reflect the full premium amount of group term life insurance paid by NIFA, but rather the line reflects the amounts paid by NIFA over the \$50,000 coverage as required by the IRS.

(4) It should also be noted the table above does not include any benefits paid by the employee, and does not include all benefits paid by NIFA (e.g. parking).