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

January 23, 2018

John Bolduc, Colonel
Nebraska State Patrol
1600 Highway 2
Lincoln, Nebraska 68502

Dear Colonel Bolduc:

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nebraska (State), as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, we have issued our report thereon dated December 14, 2017. In planning and performing our audit, we considered the State's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements of the State, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

In connection with our audit described above, we noted certain internal control or compliance matters related to the activities of the Nebraska State Patrol (Agency) or other operational matters that are presented below for your consideration. These comments and recommendations, which have been discussed with the appropriate members of the Agency's management, are intended to improve internal control or result in other operating efficiencies.

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

Our consideration of internal control included a review of prior year comments and recommendations. To the extent the situations that prompted the recommendations in the prior year still exist, they have been incorporated in the comments presented for the current year. All other prior year comments and recommendations (if applicable) have been satisfactorily resolved.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that were not identified.

In addition, we noted other matters involving internal control and its operation that we have reported to management of the Agency, pursuant to AICPA Auditing Standards AU-C Section 265.A17, in a separate early communication letter dated November 27, 2017.

Draft copies of this letter were furnished to the Agency to provide management with an opportunity to review and to respond to the comments and recommendations contained herein. All formal responses received have been incorporated into this letter. Responses have been objectively evaluated and recognized, as appropriate, in the letter. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next audit.

The following are our comments and recommendations for the year ended June 30, 2017.

1. Lapsing of Year-End Vacation Hours

The 2015-2017 Labor Contract between the State of Nebraska and the Law Enforcement Bargaining Unit sets an annual 280-hour limit on employee vacation hours. During testing, however, we noted that two Agency employees' vacation hours exceeded that limit by 124 hours and 37 hours, respectively, on December 31, 2016. Because the excess hours were not properly lapsed, the amount reported for accrued compensated absences was overstated by $5,487.

Section 11.2.2, Balancing of Vacation Leave, of the Labor Contract states the following:

> *An employee's accumulated vacation time which is in excess of 280 hours shall be forfeited as of December 31st of each calendar year.*

When vacation hours exceeding the maximum rollover amount are not properly lapsed at December 31 of each year, employees' leave balances will be incorrect, and the amount reported for accrued compensated absences will be overstated.

A similar finding was noted during the previous audit.

> We recommend the Agency implement procedures to review employee vacation balances at December 31 of each year to ensure that any amounts in excess of the maximum allowed carryover are properly lapsed.

Agency Response: The Nebraska State Patrol (NSP) has implemented deadlines to ensure that all leave is lapsed by no later than the end of the first quarter following the end of the calendar year. These deadlines have been put in place for 2018 for the leave balances existing at 12/31/17. The Agency has taken steps to ensure that all leave balances that were over the permitted amounts at 12/31/16 have since been lapsed appropriately.

2. Incorrect Payable Coding

The State's accounting system has the ability to identify payments as current period or prior period obligations. Payments made after the fiscal year end, and entered as a prior period obligation, would be included as an accounts payable for the State of Nebraska Comprehensive Annual Financial report (CAFR).

During testing, we noted that one expenditure was incorrectly identified as a prior period obligation and, therefore, was included as an expense and accounts payable in the fiscal year ended June 30, 2017, financial statements. The payment was for services performed on July 31, 2017, and August 1, 2017. Because those services took place after the fiscal year ended June 30, 2017, the payment was an obligation of the fiscal year ending June 30, 2018. As a result, expenditures and accounts payable were overstated by $236,700 on the fiscal year ended June 30, 2017, CAFR financial statements.

Per Governmental Accounting Standards Board (GASB) Codification section 1100, Summary Statement of Principles, paragraph .110(a), "Expenditures should be recognized in the accounting period in which the fund liability is incurred, if measureable . . . ."

A good internal control plan requires procedures to ensure that expenditures are properly recorded in the correct fiscal year.

Without such procedures, there is an increased risk of the financial statements being misstated.

> We recommend the Agency ensure procedures are in place to ensure that all expenditures are properly accrued in the correct fiscal period.

Agency Response: The Agency will ensure that adequate documentation exists to determine whether or not an expenditure relates to the prior year or the current year. In the case of the expenditure noted in the management letter, the equipment was shipped in the prior fiscal year, but not received until the current fiscal year. It was represented to Accounting personnel that the transaction was completed in the prior fiscal year due to the unique timing of the shipping crossing over the fiscal year end. In the future, actual written documentation as to the receipt of the equipment will be requested from the employees involved.

3. JUSTICE Terminated Users

The Agency did not have an adequate process in place to ensure access to the Judicial User System To Improve Court Efficiency (JUSTICE) was removed in a timely manner upon user termination. We noted that four JUSTICE users still had access to JUSTICE after their termination dates. As of the date of testing, users retained access from 135 to 202 business days past their termination dates.

Nebraska Information Technology Commission (NITC) Standards and Guidelines, Information Security Policy 8-101 (December 2013), Section 4.7.2, User Account Management, states the following, in relevant part:

> *A user account management process will be established and documented to identify all functions of user account management, to include the creation, distribution, modification and deletion of user accounts. Data owner(s) are responsible for determining who should have access to information and the appropriate access privileges (read, write, delete, etc.). The "Principle of Least Privilege" should be used to ensure that only authorized individuals have access to applications and information and that these users only have access to the resources required for the normal performance of their job responsibilities . . . .*
>
> *Agencies or data owner(s) should perform annual user reviews of access and appropriate privileges.*

A good internal control plan includes a process for ensuring that terminated users' access to applications is removed timely.

Without such a process, there is an increased risk of inappropriate access to State resources.

> We recommend the Agency implement a process to ensure that user access to applications is disabled immediately upon termination.

Agency Response: The Agency has addressed the issue of the removal of access to the JUSTICE system when an employee leaves the Agency. This responsibility has been assigned to a supervisory position within the Criminal Identification Division. This individual is notified of employee resignations and terminations and completes a form for the removal of access.

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Our audit procedures are designed primarily on a test basis and, therefore, may not bring to light all weaknesses in policies or procedures that may exist. Our objective is, however, to use our knowledge of the Agency and its interaction with other State agencies and administrative departments gained during our work to make comments and suggestions that we hope will be useful to the Agency.

This communication is intended solely for the information and use of the Agency, the Governor and State Legislature, others within the Agency, Federal awarding agencies, pass-through entities, and management of the State of Nebraska and is not intended to be, and should not be, used by anyone other than the specified parties. However, this communication is a matter of public record, and its distribution is not limited.

Philip J. Olsen

Philip J. Olsen, CPA, CISA
Audit Manager