

**ATTESTATION REPORT
OF THE
NEBRASKA REAL ESTATE COMMISSION
JULY 1, 2019, THROUGH DECEMBER 31, 2020**

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Issued on May 13, 2021

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NEBRASKA REAL ESTATE COMMISSION

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NEBRASKA REAL ESTATE COMMISSION

BACKGROUND

The following information is taken from the Nebraska Real Estate Commission (Commission) website at www.nrec.nebraska.gov/commission-info/index.html:

History

The Nebraska Real Estate License Act (Act) was first passed in 1935 and became effective January 1, 1936. The Act was initially administered and enforced by the Nebraska Secretary of State. In 1943 the Commission was created by an act of the Legislature (Laws 1943, c. 171 §§1-26), the Commission then consisted of four appointed members, one from each Congressional District, and the Secretary of State, who then, as now, served as Chair of the Commission. Each of the appointed members was required to be an active and licensed real estate broker. In 1973 the Act was amended significantly, and membership was expanded to the current seven Commissioners. In 1985 continuing education was made mandatory for all licensees, in 1991 errors and omissions insurance was made mandatory, and in 1994 legislation clearly delineating the roles and responsibilities of limited seller's and buyer's agents was passed by the legislature.

Current Commission

The seven-member Commission is chaired by the Secretary of State and consists of six other members appointed by the Governor. There is one broker member appointed from each of the three Congressional Districts, one broker member appointed at large, one salesperson member, and one member appointed to represent the public. The Commission meets approximately once a month and reviews licensing, education, disciplinary, and other policy matters. Although the licensing and regulation of real estate salespersons and brokers is still the primary duty of the Commission, their duties have been expanded over the years to include the registration of subdivided land development, time-shares, retirement communities, and membership campgrounds.

Commission Staff

The Commission has 11 staff members, including the Director, who is appointed by the Commission, the Deputy Director, Deputy Director for Enforcement, three trust account examiners, and five administrative staff.

According to its own website, at <http://www.nrec.ne.gov>, the Commission's mission is the following:

To protect the public interest of Nebraska citizens through the efficient and effective administration of the Act and the registration of Time-Share Projects, Subdivided Land Projects, Retirement Subdivisions and Communities, and Membership Campgrounds.

NEBRASKA REAL ESTATE COMMISSION

KEY OFFICIALS AND COMMISSION CONTACT INFORMATION

Nebraska Real Estate Commissioners

Name	Title	Term Ending
Robert B. Evnen	Chairperson – Secretary of State	N/A
Jim R. Titus	Public Member at Large	August 28, 2021
Sharon Kay Bourne	Third District Broker Member	September 1, 2022
Darlene Starman	First District Broker Member	August 28, 2023
Joe Gehrki	Second District Broker Member	August 28, 2024
Lisa Ritter	Broker Member at Large	August 28, 2025
Doug Dohse	Salesperson Member at Large	August 28, 2026

**Nebraska Real Estate Commission
Executive Management**

Name	Title
Greg Lemon	Director
Alane Roubal	Deputy Director for Education
Antwan Montague	Deputy Director for Enforcement
Monica Rut	Deputy Director for Licensing

Nebraska Real Estate Commission
301 Centennial Mall South
P.O. Box 94667
Lincoln, NE 68509-4667
nrec.nebraska.gov

NEBRASKA REAL ESTATE COMMISSION

SUMMARY OF COMMENTS

During our examination of the Nebraska Real Estate Commission (Commission), we noted certain deficiencies and other operational matters that are presented here. The following comment is required to be reported in accordance with *Government Auditing Standards*: Comment #1, "Internal Controls," which is considered to be a material weakness.

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

- 1. Internal Controls:** The Auditor of Public Accounts (APA) identified internal control issues related to revenues, payroll, and fixed assets, including an outdated Internal Control Policy, lack of an initial control log for monies received in the office, funds not deposited within statutorily required timeframe, and lack of segregation of duties.
- 2. Fund Balance:** The Commission's cash fund balance during the attestation period was enough to cover 12 to 16 months of expenses, which could be considered excessive. As of December 31, 2020, the cash fund balance was \$1,511,251. The total expenses for the 18-month attestation period were \$2,277,234. Therefore, at December 31, 2020, the fund balance was enough to cover nearly 12 months of expenditures.
- 3. State Vehicle Usage:** The Commission had three permanently assigned State vehicles. None of them were used on average for 1,000 miles per month during the period tested. During calendar year 2020, the Commission paid \$259 per month for two of the vehicles and \$216 per month for the third vehicle through September 2020, at which time the vehicle was replaced for one with a rate of \$291 per month.
- 4. Vacation and Sick Leave Balance Lapsing:** The Commission calculated incorrectly the amount of leave balances to lapse for the two employees tested. The Commission lapsed more leave than required.
- 5. Fixed Asset Costs:** The Commission recorded incorrectly the cost of three fixed assets purchased during the attestation period. The Commission prepared a journal entry to add the costs, which appear to have been added already. Consequently, the cost of each asset was doubled in the accounting system, resulting in a total overstatement of \$3,283.59.

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 Commission.

Draft copies of this report were furnished to the Commission 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 REAL ESTATE COMMISSION

COMMENTS AND RECOMMENDATIONS

1. Internal Controls

The Auditor of Public Accounts (APA) found several areas of internal control weaknesses that are detailed below. Since November 2019, the Nebraska Real Estate Commission’s (Commission) Finance Officer position has been vacant, which likely caused at least some of the control weaknesses.

Overall

The Commission has not updated its Internal Control Plan since January 2010. The current plan lacks updated procedures over newer systems or staff responsible for performing those functions.

Neb. Rev. Stat. § 81-1111(2) (Reissue 2014) allows the Department of Administrative Services (DAS) Director to authorize agencies to perform their own pre-audits. The DAS State Accounting Manual, Section 16, “Pre-audit” (7/2019), requires a Memorandum of Understanding (MOU) “to be initiated between State Accounting and each agency to fulfill this statutory obligation” The Commission’s MOU with State Accounting was signed by the Commission in November 2019 and includes the following from Section 1, “Agency Responsibilities”:

Each Agency Head and fiscal officer shall annually certify, in a manner prescribed by the State Accounting Administrator, the Agency has in place a proper system of internal control.

Without a regularly updated internal control plan, there is an increased risk of control procedures being inadequate.

Revenues

The APA identified a lack of internal controls over funds received, as follows:

- An initial listing of cash and checks received in the Commission’s office was not prepared immediately by the individuals opening the mail. Instead, the cash and checks were routed to the various individuals within the agency, who were responsible for creating the receipt within the database. An initial control log is the first step to ensure proper internal controls exist over monies received and would be used in the reconciliation process to ensure all funds received were deposited properly. This was also noted in the prior attestation. During testing, the APA found that the following checks were not receipted immediately.

Receipt Type	Amount	Date Received in Office*	Date Receipt Written
New License Fee	\$ 80.00	3/22/2021	N/A – check returned on 4/23/2021
New License Fee	\$ 80.00	1/25/2021	N/A – check returned on 4/23/2021
Application and Exam Fee	\$ 285.00	4/19/2021	4/23/2021
New License Fee	\$ 80.00	4/23/2021	4/27/2021
Application and Exam Fee	\$ 285.00	4/22/2021	4/26/2021
Application and Exam Fee	\$ 285.00	4/22/2021	4/26/2021
Application and Exam Fee	\$ 285.00	4/22/2021	4/26/2021

**This is the date received per the receipt date that was stamped on the application. There is not an initial record of checks received in the office, so this is the best date available to use, as normally, checks are remitted with the application.*

- The Commission failed to make certain deposits within the statutorily required time frame. Neb. Rev. Stat. § 84-710 (Reissue 2014) requires the following:

It shall be unlawful for any executive department, state institution, board, or officer acting under or by virtue of any statute or authority of the state, including the State Racing Commission, to receive any fees, proceeds from the sale of any public property, or any money belonging to the state or due for any service rendered by virtue of state authority without 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.

NEBRASKA REAL ESTATE COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

1. Internal Controls (Continued)

During our detail test of receipts, the APA found that three of three checks received were not deposited timely. In the cash count, the APA also noted 6 of 10 checks were not deposited timely. The following table shows the details of those checks:

Type of Receipt	Amount	Date Received in Office	Date Deposited in E1	Days to Deposit Less Weekends/Holidays
From Receipts Detail Testing				
LLC Certification	\$ 25.00	9/30/2020	10/6/2020	4
New Sales License	\$ 80.00	7/29/2019	8/28/2019	22
Time Share Registration	\$ 1,500.00	11/9/2020	11/14/2020	4
From Cash Count				
Application and Exam Fee	\$ 285.00	4/19/2021	4/28/2021	7
LLC Certification	\$ 25.00	4/22/2021	4/28/2021	4
Application and Exam Fee	\$ 285.00	4/22/2021	4/28/2021	4
Application and Exam Fee	\$ 285.00	4/22/2021	4/28/2021	4
Application and Exam Fee	\$ 285.00	4/22/2021	4/28/2021	4
Application and Exam Fee	\$ 285.00	4/22/2021	4/28/2021	4

- Individuals who issue licenses also have control of cash received for those licenses. A proper system of internal control would have a process for issuing licenses that is separate from the cash receipt process.

Payroll and Fixed Assets

The APA identified a lack of segregation of duties over the processing of payroll and fixed transactions. The Director has access to the system and completes the final review of the payroll reports and fixed asset reports. The Commission does not review detailed payroll or fixed asset reports.

In a system with a proper segregation of duties, the individual who compares the payroll input, including time worked and pay rates, to the final payroll output, including the payroll registers, does not have access to the system. Likewise, the individual who approves the fixed asset integrity reports, including the Additions and Retirements Report, which includes all additions and disposal of property, should not have access to process transactions in the system.

The APA also noted that the payroll reconciliation process is completed before the final payroll is processed, so no review occurs after the payroll process to ensure there were no unauthorized changes.

A proper system of internal controls requires procedures to ensure that no one individual is able both to perpetrate and to conceal errors or irregularities.

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

We recommend the Commission implement the following procedures:

- Update the Internal Control Plan and ensure that it is reviewed and revised regularly.

NEBRASKA REAL ESTATE COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Internal Controls** (Concluded)

- Create an initial list of all monies received at the Commission office by the individuals opening the mail.
- Consider whether Commission staffing levels allow a segregation between employees processing licenses and those handling funds received.
- Ensure that the individual who approves the final payroll and fixed asset integrity reports does not also have access to the accounting system to process transactions – or, alternatively, charge a Commissioner with providing the final report reviews and approvals.

Commission Response:

- *The internal Control Plan has been updated and provided to State Accounting and will be kept current in the future.*
- *A list of monies received and handling of funds--Due to the size of our agency, it has not been necessary in the past. The system does not allow for a process to be completed unless the fees are entered, and licensees would notify us if their request was not completed. We also want to limit the receipt of checks and cash by promoting the use of our online services, and processing payments faster both to meet state deposit requirements, and provide better customer service, we will also make deposits on a more frequent basis to meet this requirement.*
- *Payroll and Fixed Asset segregation -The payroll and fixed asset reports are reviewed by multiple parties for ALL processes. After review the process is signed off on as proof that they have been reviewed. There are three individuals that look at each of the processes and printed reports. Due to the size of our agency, backups are necessary for these functions due to absences for sick leave, vacation, vacancies, etc., those backups, including the Director, have access to the system for this reason. Per the recommendation, we have put in a request to limit the Director to no authorization authority for Payroll and Fixed Asset functions in E-1.*
- *During a portion of the attestation period the Commission did not have a Finance Officer, the Commission will fill this position permanently in the near term, allowing for greater segregation of duties.*

2. **Fund Balance**

The Commission has maintained a cash fund balance high enough to cover 12-16 months' worth of expenses during the audit period, which could be considered excessive.

The Commission's expense and fund balances during the audit period are shown in the table below:

Category	12-Month Period Ending 6/30/2019	12-Month Period Ending 6/30/2020	18-Month Period Ending 12/31/2020
Fund Balance	\$ 1,537,259	\$ 1,668,998	\$ 1,511,251
Expenditures	\$ 1,207,244	\$ 1,233,268	\$ 2,277,234
Months	15.28	16.24	11.95

According to the Commission, the fund balance is generally at its lowest level in late summer, prior to the license renewal period. The APA reviewed the fund balances in August 2019 and August 2020, and they were \$1,437,770 and \$1,554,769, respectively.

NEBRASKA REAL ESTATE COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Fund Balance** (Concluded)

The Commission reviews the fund balances and fees prior to each license renewal period. In the last review, the Commission expected revenues to decrease due to the continuing COVID-19 pandemic, but that did not happen.

Neb. Rev. Stat. § 81-885.07(7) (Cum. Supp. 2020) allows the Commission to charge reasonable fees, as follows:

The commission may charge reasonable fees for services it renders, not to exceed the actual costs thereof, except as otherwise provided in the act. The fees established by the commission pursuant to the act shall be established at the level necessary to meet expenditures of the commission as approved by the Legislature and to provide a sufficient cash fund balance.

Sound business practice requires a periodic review of fund balances to ensure that fees charged by the Commission are sufficient to fund the actual cost of its operations but are not excessive.

Without such procedures, there is an increased risk of Commission fees being either insufficient or excessive.

We recommend the Commission implement procedures for continuing to monitor its fund balances to ensure the propriety of fees charged.

Commission Response: The Commission sets fees within the statutory range to provide for the operations of the office each year. Revenues have outperformed projections (more people want real estate licenses) the last few years, and there has been an extended “spike” in activity, while a downturn was expected, it has not yet occurred. The Commission will review fees again this summer for the ensuing calendar year and set with the goal of a lower ongoing balance.

3. **State Vehicle Usage**

The Commission had three permanently assigned State vehicles. During calendar year 2020, none of those vehicles were used more than an average of 1,000 miles per month, as required by governing procedures.

The following table shows the miles driven for each of the Commission’s vehicles during the 18-month period covered by the present attestation:

Month	License 19406 (Impala) Then 22698 (Impala)			License 19366 (Impala) Then 22784 (Impala)			License 19956 (Impala) Then 23081 (Charger)		
	Beg Odometer	Ending Odometer	Total Miles	Beg Odometer	Ending Odometer	Total Miles	Beg Odometer	Ending Odometer	Total Miles
Jul-19	94,959	97,094	2,135	76,149	77,033	884	66,500	67,452	952
Aug-19	97,094	99,269	2,175	77,033	79,703	2,670	67,452	70,826	3,374
Sep-19	99,269	101,198	1,929	79,703	80,906	1,203	70,826	72,122	1,296
Oct-19	101,198	103,328	2,130	80,906	82,324	1,418	72,122	73,675	1,553
Nov-19	103,328	105,400	2,072	82,324	83,431	1,107	73,675	75,153	1,478
Dec-19	105,400	106,419	1,019	83,431	83,990	559	75,153	76,076	923
Dec-19	106,419	106,440	21						
Jan-20	17	1,597	1,580	83,990	84,939	949	76,076	77,584	1,508
Feb-20	1,597	2,951	1,354	44	266	222	77,584	79,145	1,561
Mar-20	2,951	4,056	1,105	266	579	313	79,145	79,848	703
Apr-20	4,056	4,056	-	579	579	-	79,848	79,928	80
May-20	4,056	4,085	29	579	579	-	79,928	79,964	36
Jun-20	4,085	4,085	-	579	768	189	79,964	80,353	389
Jul-20	4,085	4,085	-	768	1,437	669	80,353	81,051	698
Aug-20	4,056	4,056	-	1,437	2,421	984	81,051	81,975	924

NEBRASKA REAL ESTATE COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

3. State Vehicle Usage (Continued)

Month	License 19406 (Impala) Then 22698 (Impala)			License 19366 (Impala) Then 22784 (Impala)			License 19956 (Impala) Then 23081 (Charger)		
	Beg Odometer	Ending Odometer	Total Miles	Beg Odometer	Ending Odometer	Total Miles	Beg Odometer	Ending Odometer	Total Miles
Sep-20	4,085	4,085	-	2,421	3,741	1,320	81,975	82,684	709
Oct-20	4,085	4,085	-	3,741	3,782	41	82,684	82,751	67
Oct-20							76	116	40
Nov-20	4,085	4,085	-	3,782	3,800	18	116	271	155
Dec-20	4,085	4,085	-	3,800	3,800	-	271	449	178
Total Miles for CY 2020			4,068			4,705			7,048
Total Months in Period			12			12			12
Average Monthly Miles			339			392			587

In January 2020, vehicle 19406 was replaced with 22698. In February 2020, vehicle 19366 was replaced with 22784. In October 2020, vehicle 19956 was replaced with 23081.

DAS Transportation Services Bureau (TSB) is responsible for the acquisition, operation, maintenance, and repair of State-owned motor vehicles. The TSB Policies and Procedures, Section 6, “Leased Vehicles,” contains the following:

STANDARD FOR LEASE VEHICLE USE - Leasing Agencies are expected to use each lease vehicle more than 1000 miles per month when averaged over the life of the lease.

The TSB charges both a monthly fee and a rate per mile driven for the State-owned vehicles. The Commission incurred fees of \$259 per month for each of the Impalas (22698 and 22784) and \$291 per month for the Charger (23081). Of the vehicles that were replaced, 19366 and 19406 were not charged a monthly fee, and 19956 was charged \$216 per month.

Additionally, the APA tested the miles driven for one day during a month selected for testing and found an instance of undocumented miles driven in a State-owned vehicle.

On August 7, 2019, one of the vehicles was driven from Valentine, Nebraska, to O’Neill, Nebraska, to Crofton, Nebraska. A total of 234 miles was recorded on the travel log. According to Google Maps, however, the distance for that trip is 187 miles – a variance of 47 miles or 25%. Per Commission staff, the driver may have had to go to other locations to find the broker being examined. Additionally, an alternative route may have been taken for one of the legs of the trip. Nonetheless, no documentation was available to support either of those contentions or the extra miles recorded.

Good internal controls require procedures for a periodic review of the Commission’s usage of State-owned vehicles to ensure that the TBS driving standard is met, and driving routes and distances recorded are adequately supported.

Without such procedures, there is an increased risk for misuse of State vehicles.

We recommend the Commission implement procedures for a periodic review of its State-owned vehicle usage to determine the viability of ongoing compliance with the TSB driving standard. We recommend also the maintenance of adequate support for driving routes and distances recorded.

NEBRASKA REAL ESTATE COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

3. **State Vehicle Usage** (Concluded)

Commission Response:

- *State vehicle usage by trust account examiners was down during the Covid outbreak, what most anticipated as a short term problem lasted longer than expected, usage is now back up to or above recommended levels for leased vehicles.*
- *Each mile is documented on internal travel logs. If there were any undocumented miles driven in a State-owned vehicle it was due to the new GPS system which does not always sync with the records on a particular date.*
- *Review of the new GPS system and comparison to detailed mileage and travel justifications will continue to be monitored for compliance with state travel requirements.*

4. **Vacation and Sick Leave Balance Lapsing**

The APA reviewed the Commission’s calculations for lapsing vacation leave balances as of December 31, 2019, and sick and vacation leave balances as of December 31, 2020. The APA reviewed the calculations for two employees. One employee had two calculations (vacation balance both years), and the other employee had three calculations (sick balances both years and 2020 vacation balance).

DAS Accounting offers the following calculation guidance on its website at das.nebraska.gov/accounting/leave-adj.html:

To determine the vacation leave adjustment that must be made at the end of the calendar year, the following formula must be used:

- *Start with: Beginning Balance of vacation leave for the new calendar year (which is the same as the “Available” balance on the Leave Report for the last pay date in December).*
- *Subtract: Total vacation leave allowed (280 hours as per Personnel Rules and Regulations and Bargaining Unit contracts for classified positions and only hours earned for the year for non-classified positions, except when an Agency has adopted a policy allowing the balance to be in excess of one year’s earnings, not to exceed 280 hours).*
- *Subtract: Vacation leave used between the date of the last pay period paid in December and January 1. (For monthly employees, this amount would be December leave usage, as leave is reported one month in arrears.)*
- *Equals: Total hours that the Beginning Balance must be reduced, if a positive number (if the result is zero or negative, no adjustment is necessary).*

The APA determined that three of the five Commission calculations tested were incorrect. Those calculations are shown below:

Hours	12/31/2020 Vacation Balance
354.00	12/30/2020 Pay Stub Leave Balance
280.00	Maximum Carryover
74.00	Calculated Lapse Amount
0.00	Leave Used in December and Included in E1 in January
74.00	Calculated Lapse Amount
81.70	Commission Lapsed Amount
-7.70	Difference

NEBRASKA REAL ESTATE COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

4. Vacation and Sick Leave Balance Lapsing (Continued)

Hours	12/31/2020 Vacation Balance
367.91	12/30/2020 Leave Balance Per Pay Stub
280.00	Maximum Carryover
87.91	Calculated Amount to Lapse
4.00	December 2020 Vacation Posted in January
83.91	Actual Amount to Lapse
91.61	Commission Lapsed Amount 1/27/2021
-7.70	Difference

Hours	12/31/2020 Sick Balance
1,639.00	12/30/2020 Pay Stub Leave Balance
1,440.00	Maximum Carryover
199.00	Calculated Amount to Lapse
1.00	December 2020 Sick Posted in January
198.00	Actual Amount to Lapse
207.24	Commission Lapsed Amount 1/27/2021
-9.24	Difference

In each of the above incorrect calculations, the difference was the amount of leave earned for one pay period.

One of the employees tested was covered under the NAPE/AFSCME Labor Contract, while the other employee was covered under DAS Personnel Rules and Regulations. Both have similar provisions for lapsing leave.

Section 14.7 of the 2019-2021 NAPE/AFSCME Labor Contract states, in relevant part, the following:

Balancing of Vacation Leave: An employee's accumulated vacation time in excess of thirty-five days shall be forfeited as of the end of business on December 31 of each calendar year.

Title 273 NAC 10-004.02 of the DAS Personnel Rules and Regulations provides the following:

All employees' accumulated vacation time in excess of thirty-five days shall be forfeited as of December 31 of each calendar year. In special and meritorious cases, when it would cause hardship for an employee to take earned vacation leave before December 31, excess carryover leave may be approved by the Agency Head. In these cases, the agency head shall assure hours carried over shall be used within the next six months. In no case shall approved carry over vacation continue from year to year.

Similarly, Title 273 NAC 10-005.03 addresses sick leave balances as follows:

The sick leave account of each employee shall be balanced to a maximum of 1440 hours on December 31 of each year. Sick leave may be accumulated in excess of 1440 hours during a year, but the excess shall be forfeited when balanced.

Good internal controls require procedures to ensure that leave lapsing calculations are correct and comply with the applicable provisions of the NAPE/AFSCME Labor Contract and DAS Personnel Rules and Regulations.

Without such procedures, there is an increased risk for erroneous leave calculations, leading to improper loss of either funds or leave hours earned by employees.

NEBRASKA REAL ESTATE COMMISSION

COMMENTS AND RECOMMENDATIONS

(Concluded)

4. **Vacation and Sick Leave Balance Lapsing** (Concluded)

We recommend the Commission implement procedures for ensuring that leave lapsing calculations are correct and comply with applicable provisions of the NAPE/AFSCME Labor Contract and DAS Personnel Rules and Regulations. The Commission should consider also whether any incorrectly lapsed leave earnings should be added back to employee leave balances.

Commission Response:

- *This was computed by the Commission based upon leave accrued through the end of the year, which is consistent with the law. Apparently, DAS Accounting prefers it to be calculated based on the last pay period before calendar year end. The Commission will conform to this practice in the future. We would note that our practice is in conformance with the Title 273 NAC Sec. 10-004.02 & 10-005.03 cited in the report, which contains a December 31 cut-off date for computing leave balances, while the recommended practice is not.*
- *After review and discussion with the auditors, we will add back any leave balances necessary.*

5. **Fixed Asset Costs**

The incorrect costs of three assets purchased during the attestation period were added to the fixed asset records, as shown in the table below:

Asset Number	Description	Invoice Price	Cost Per Additions and Retirements	Overstatement Amount
255604	Dell Optiplex 7060 Micro XCTO	\$ 754.88	\$ 1,509.76	\$ 754.88
255605	Dell Optiplex 7060 Micro XCTO	\$ 754.88	\$ 1,509.38	\$ 754.50
255606	Dell Latitude 7390 2-n-1 XCTO	\$ 1,774.21	\$ 3,548.42	\$ 1,774.21
Total Overstatements				\$ 3,283.59

Commission staff prepared a journal entry to record the asset costs; however, those costs appear to have been recorded already. Consequently, the cost of each asset was doubled in the accounting system, resulting in a total overstatement of \$3,283.59.

Good internal controls require procedures to ensure that asset costs are added correctly to the fixed asset records.

Without such procedures, there is an increased risk for improper capital asset amounts.

We recommend the Commission implement procedures to ensure correct asset costs are added to the fixed asset accounting records. This should include a comparison of the amounts recorded as “additions” on the Additions and Retirements report to the corresponding invoice price.

Commission Response: We will adjust the fixed asset cost for these items per your suggestion.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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NEBRASKA REAL ESTATE COMMISSION

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Real Estate Commission
Lincoln, Nebraska

We have examined the accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balances of the Nebraska Real Estate Commission for the period July 1, 2019, through December 31, 2020. The Commission's management is responsible for the Schedule of Revenues, Expenditures, and Changes in Fund Balances 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 Balances 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 Balances 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 Balances. 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 Balances, 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 Balances for the period July 1, 2019, through December 31, 2020, is based on the accounting system and procedures prescribed by the Director of Administrative Services, as set forth in Note 1, in all material respects.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Schedule of Revenues, Expenditures, and Changes in Fund Balances; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, 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 and report the views of management concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Schedule of Revenues, Expenditures, and Changes in Fund Balances is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedule of Revenues, Expenditures, and Changes in Fund 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.

The purpose of this report is to express an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balance, as described in paragraph one above. Accordingly, this report is not suitable for any other purpose. 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.

May 12, 2021

Charlie Janssen
Auditor of Public Accounts
Lincoln, Nebraska

NEBRASKA REAL ESTATE COMMISSION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Period July 1, 2019, through December 31, 2020

	State Real Estate Commission Fund 24110	Common School Fund 61270	Totals (Memorandum Only)
REVENUES:			
Sales & Charges	\$ 2,160,200	\$ -	\$ 2,160,200
Miscellaneous	90,934	70,250	161,184
TOTAL REVENUES	<u>2,251,134</u>	<u>70,250</u>	<u>2,321,384</u>
EXPENDITURES:			
Personal Services	1,179,786	-	1,179,786
Operating	1,053,513	-	1,053,513
Travel	39,697	-	39,697
Capital Outlay	4,238	-	4,238
TOTAL EXPENDITURES	<u>2,277,234</u>	<u>-</u>	<u>2,277,234</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(26,100)</u>	<u>70,250</u>	<u>44,150</u>
OTHER FINANCING SOURCES (USES):			
Sales of Assets	92	-	92
Deposit to Common Fund	-	(70,250)	(70,250)
TOTAL OTHER FINANCING SOURCES (USES)	<u>92</u>	<u>(70,250)</u>	<u>(70,158)</u>
Net Change in Fund Balances	(26,008)	-	(26,008)
FUND BALANCES, JULY 1, 2019	<u>1,537,259</u>	<u>-</u>	<u>1,537,259</u>
FUND BALANCES, DECEMBER 31, 2020	<u>\$ 1,511,251</u>	<u>\$ -</u>	<u>\$ 1,511,251</u>
FUND BALANCES CONSIST OF:			
General Cash	\$ 1,734,879	\$ -	\$ 1,734,879
Deposits with Vendors	4,931	-	4,931
Due to Vendors	(228,555)	-	(228,555)
Sales Tax Collections	(4)	-	(4)
TOTAL FUND BALANCES	<u>\$ 1,511,251</u>	<u>\$ -</u>	<u>\$ 1,511,251</u>

The accompanying notes are an integral part of the schedule.

NEBRASKA REAL ESTATE COMMISSION

NOTES TO THE SCHEDULE

For the Period July 1, 2019, through December 31, 2020

1. Criteria

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

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

The financial information used to prepare the Schedule of Revenues, Expenditures, and Changes in Fund Balances was obtained directly from the general ledger and fund balance information maintained on EnterpriseOne. EnterpriseOne is not an accrual accounting system; instead, accounts are maintained on a modified cash basis. As revenue transactions occur, the agencies record the accounts receivable and related revenues in the general ledger. As such, certain revenues are recorded when earned, regardless of the timing of related cash flows. State Accounting does not require the Commission to record all accounts receivable and related revenues in EnterpriseOne; as such, the Commission's schedule does not include all accounts receivable and related revenues. In a like manner, expenditures and related accounts payable are recorded in the general ledger as transactions occur. As such, the schedule includes those expenditures and related accounts payable posted in the general ledger as of December 31, 2020, and not yet paid as of that date. The amount recorded as expenditures on the schedule, as of December 31, 2020, **does not** include amounts for goods and services received before December 31, 2020, which had not been posted to the general ledger as of December 31, 2020.

Other liabilities are recorded in accounts entitled Due to Vendors and Due to Government for the Commission. The assets in these funds are being held by the State as an agent and will be used to pay those liabilities to individuals, private organizations, other governments, and/or other funds. The recording of those liabilities reduces the fund balance.

The Commission had no accounts receivable at December 31, 2020. Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

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

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.

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

NEBRASKA REAL ESTATE COMMISSION

NOTES TO THE SCHEDULE

(Continued)

1. **Criteria** (Concluded)

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

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

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

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

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

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 Commission include the following:

Assets – Resources owned or held by a government that have monetary value. Assets include cash accounts and deposits with vendors. Cash accounts and deposits with vendors are also included in fund balance and are reported as recorded in the general ledger.

Liabilities – Legal obligations arising out of transactions in the past that must be liquidated, renewed, or refunded at some future date. Accounts payable transactions are recorded as expenditures, resulting in a decrease to fund balance.

Other Financing Sources – Deposits to Common Fund and proceeds of the sale of fixed assets.

2. **Reporting Entity**

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

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

3. **Totals**

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

NEBRASKA REAL ESTATE COMMISSION

NOTES TO THE SCHEDULE

(Concluded)

4. General Cash

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

5. Capital Assets

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

However, State Accounting does adjust such expenditures and reports the capital assets as assets for the State of Nebraska in the Comprehensive Annual Financial Report (CAFR). In addition, the Commission takes an annual inventory, recording in the State Accounting System all equipment that has a cost of \$5,000 more at the date of acquisition, any item that is portable, or any item the Director determines needs to be tracked.

For the CAFR, the State requires the Commission 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 Commission recorded in the State Accounting System for the period July 1, 2019, through December 31, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets				
Equipment	\$ 95,986	\$ 4,238	\$ (3,092)	\$ 97,132
Less accumulated depreciation for:				
Equipment				\$ 93,109
Total capital assets, net of depreciation				<u>\$ 4,023</u>

NEBRASKA REAL ESTATE COMMISSION

SUPPLEMENTARY INFORMATION

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

NEBRASKA REAL ESTATE COMMISSION
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Exhibit A

For the Period July 1, 2019, through June 30, 2020

	State Real Estate Commission Fund 24110	Common School Fund 61270	Totals (Memorandum Only)
REVENUES:			
Sales & Charges	\$ 1,301,801	\$ -	\$ 1,301,801
Miscellaneous	63,132	43,750	106,882
TOTAL REVENUES	1,364,933	43,750	1,408,683
EXPENDITURES:			
Personal Services	773,029	-	773,029
Operating	422,194	-	422,194
Travel	33,825	-	33,825
Capital Outlay	4,238	-	4,238
TOTAL EXPENDITURES	1,233,286	-	1,233,286
Excess (Deficiency) of Revenues Over (Under) Expenditures	131,647	43,750	175,397
OTHER FINANCING SOURCES (USES):			
Sales of Assets	92	-	92
Deposit to Common Fund	-	(43,750)	(43,750)
TOTAL OTHER FINANCING SOURCES (USES)	92	(43,750)	(43,658)
Net Change in Fund Balances	131,739	-	131,739
FUND BALANCES, JULY 1, 2019	1,537,259	-	1,537,259
FUND BALANCES, JUNE 30, 2020	\$ 1,668,998	\$ -	\$ 1,668,998
FUND BALANCES CONSIST OF:			
General Cash	\$ 1,664,165	\$ -	\$ 1,664,165
Deposits with Vendors	4,931	-	4,931
Due to Vendors	(95)	-	(95)
Sales Tax Collections	(3)	-	(3)
TOTAL FUND BALANCES	\$ 1,668,998	\$ -	\$ 1,669,096

NEBRASKA REAL ESTATE COMMISSION
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

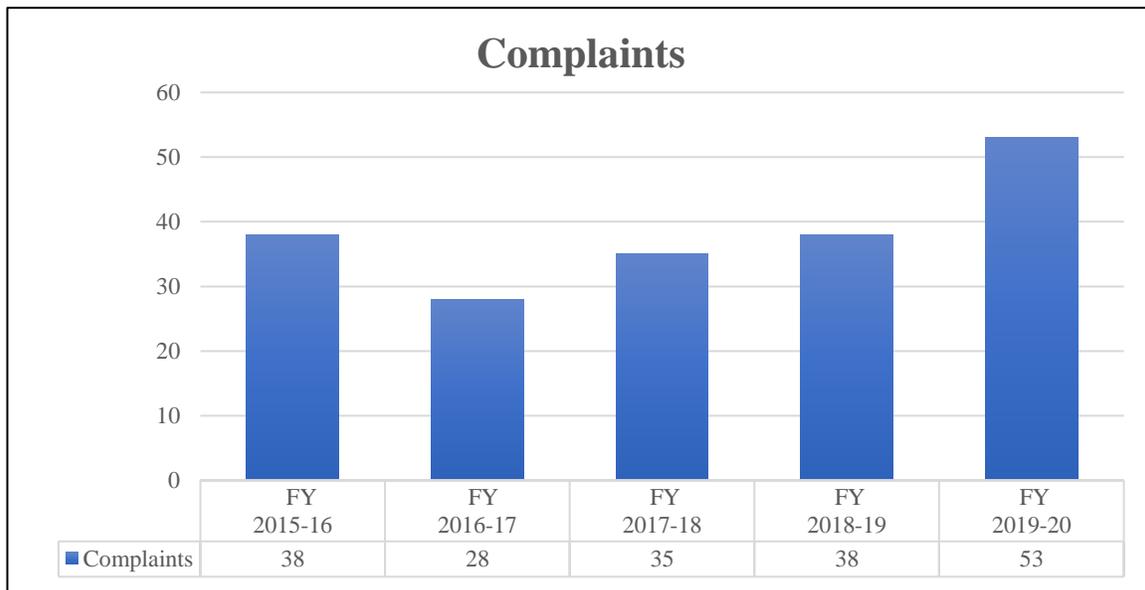
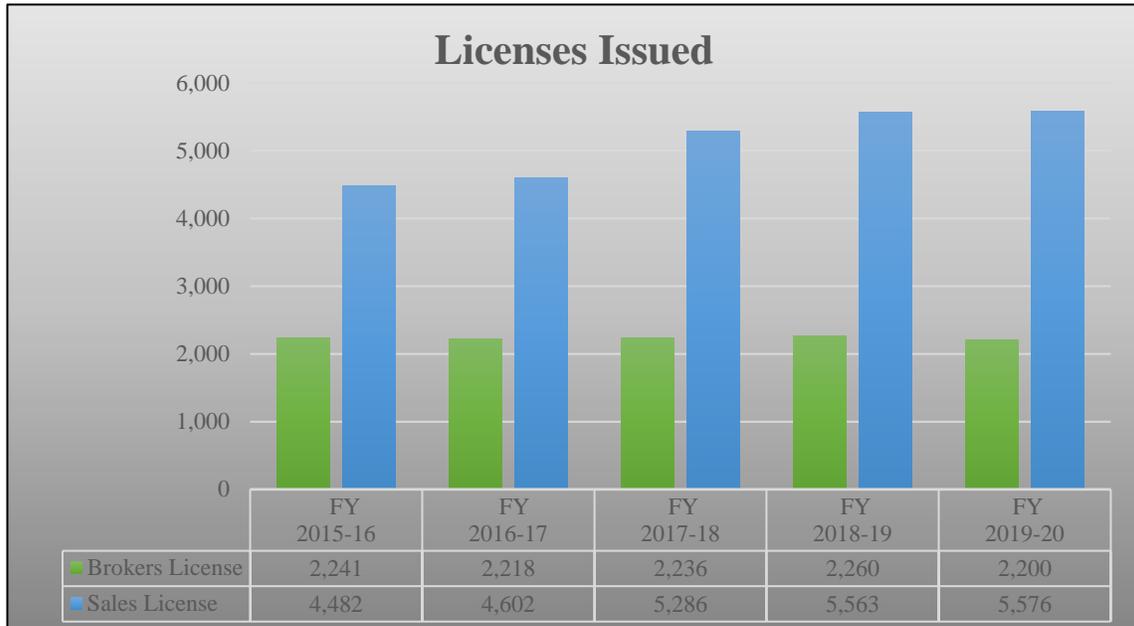
Exhibit B

For the Period July 1, 2020, through December 31, 2020

	State Real Estate Commission Fund 24110	Common School Fund 61270	Totals (Memorandum Only)
REVENUES:			
Sales & Charges	\$ 858,399	\$ -	\$ 858,399
Miscellaneous	27,802	26,500	54,302
TOTAL REVENUES	886,201	26,500	912,701
EXPENDITURES:			
Personal Services	406,757	-	406,757
Operating	631,319	-	631,319
Travel	5,872	-	5,872
TOTAL EXPENDITURES	1,043,948	-	1,043,948
Excess (Deficiency) of Revenues Over (Under) Expenditures	(157,747)	26,500	(131,247)
OTHER FINANCING SOURCES (USES):			
Deposit to Common Fund	-	(26,500)	(26,500)
TOTAL OTHER FINANCING SOURCES (USES)	-	(26,500)	(26,500)
Net Change in Fund Balances	(157,747)	-	(157,747)
FUND BALANCES, JULY 1, 2020	1,668,998	-	1,668,998
FUND BALANCES, DECEMBER 31, 2020	\$ 1,511,251	\$ -	\$ 1,511,251
FUND BALANCES CONSIST OF:			
General Cash	\$ 1,734,879	\$ -	\$ 1,734,879
Deposits with Vendors	4,931	-	4,931
Due to Vendors	(228,555)	-	(228,555)
Sales Tax Collections	(4)	-	(4)
TOTAL FUND BALANCES	\$ 1,511,251	\$ -	\$ 1,511,251

**NEBRASKA REAL ESTATE COMMISSION
NUMBER OF LICENSES ISSUED AND NUMBER OF COMPLAINTS**

Exhibit C



Source: 2021 A Legislator’s Guide to State Agencies; 2019 A Legislator’s Guide to State Agencies