

**ATTESTATION REPORT
OF THE
NEBRASKA DRY BEAN COMMISSION
JULY 1, 2019, THROUGH DECEMBER 31, 2020**

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Issued on July 13, 2021

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

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

Audit Staff Working On This Examination

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NEBRASKA DRY BEAN COMMISSION

TABLE OF CONTENTS

	<u>Page</u>
Background Information Section	
Background	1
District Map	1
Key Officials and Agency Contact Information	2
Comments Section	
Summary of Comments	3
Comments and Recommendations	4 - 5
Financial Section	
Independent Accountant's Report	6 - 7
Schedule of Revenues, Expenditures, and Changes in Fund Balance	8
Notes to the Schedule	9 - 11
Supplementary Information	12
Exhibit A – Revenues, Expenditures, and Changes in Fund Balance for the Period July 1, 2019, through June 30, 2020	13
Exhibit B – Revenues, Expenditures, and Changes in Fund Balance for the Period July 1, 2020, through December 31, 2020	14
Exhibit C – Dry Bean Taxes Received	15
Exhibit D – Expenditures by Subprogram	16

NEBRASKA DRY BEAN COMMISSION

BACKGROUND

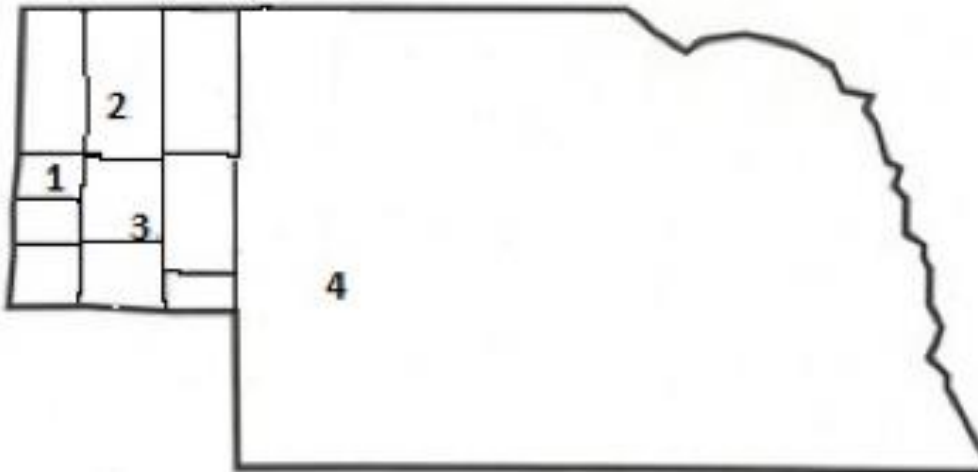
With the passage of the Dry Bean Resources Act (Act) in 1987, the Nebraska Legislature created the Dry Bean Development, Utilization, Promotion, and Education Fund. The Act is administered by the Dry Bean Commission (Commission), which is authorized to work in the areas of research, education, advertising, publicity, and promotion with the goal of increasing per capita consumption of dry beans on a state, national, and international basis.

The Commission consists of nine members: four grower representatives; three processor representatives appointed by the Governor; and two at-large grower representatives appointed by the Commission.

The Commission is funded by a tax assessed on dry edible beans grown in Nebraska and sold through commercial channels. Beginning August 1, 2015, the assessment rate is 15 cents per hundredweight. Two-thirds of the tax is paid by the grower; one third of the tax is paid by the first purchaser of the crop.

Under contract with the Commission, the Nebraska Department of Agriculture performs tax collections, field compliance reviews of first purchasers, and various other accounting functions.

DISTRICT MAP



NEBRASKA DRY BEAN COMMISSION

KEY OFFICIALS AND AGENCY CONTACT INFORMATION

Dry Bean Commission Members

<u>Name</u>	<u>Title</u>	<u>Term Ending</u>
David Howell, Morrill	District 1	May 30, 2023
Justin Relka, Mitchell	District 2	May 30, 2021
Jeff Jenkins, Mitchell	At-Large District 1 & 2	May 30, 2023
Leander Hopkins, Bayard	District 3	May 30, 2021
Brian Kaman, Scottsbluff	Processor	May 30, 2021
Courtney Schuler, Gering	Processor	May 30, 2022
Dave Weber, Alliance	Processor	May 30, 2023
Jeff Bradshaw, University of Nebraska Panhandle Research and Extension Center	Ex-Officio	
Vacant	District 4	
Vacant	At-Large District 3 & 4	

Dry Bean Commission Executive Management

<u>Name</u>	<u>Title</u>
Lynn Reuter	Executive Director

Nebraska Dry Bean Commission
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Scottsbluff, NE 69361
nebraskadrybean.nebraska.gov

NEBRASKA DRY BEAN COMMISSION

SUMMARY OF COMMENTS

During our examination of the Nebraska Dry Bean Commission (Commission), we noted certain deficiencies and other 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:** Two contracts tested were not added to the State database as required by statute, and additional rental car insurance was purchased contrary to State policy.
2. **Compliance Reviews:** Compliance review policies and procedures could be improved. There is no minimum number of reviews to be completed within a year or guidance on how many years can elapse before a first purchaser is reviewed.

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 DRY BEAN COMMISSION

COMMENTS AND RECOMMENDATIONS

1. **Expenditures**

During testing of the Commission’s expenditures, we noted the following:

- Two of two contracts tested were not properly added to the State’s contract database, as required by statute. On the State Accounting database of service contracts, the contracts came up in the search listing; however, neither one included an attachment to the actual contract that would allow a member of the public to view the document.
- For one of two travel documents tested, a miscellaneous expense reimbursed for rental car insurance was not proper. The Commission hosted six Turkish Bean buyers/importers in September 2019 to promote Dry Bean Trade. To accommodate local travel for the buyers/importers, the Executive Director rented two mini vans from a local car rental shop, as the State Carpool did not have any vans available. The Executive Director used her personal credit card to rent the vans and was directed by the Commission to purchase the additional insurances, because they believed her personal car insurance would be responsible for any damages. However, as noted in the State Accounting Manual, an employee should decline coverage, as the car rental is covered by the State’s insurance. The additional insurance coverages cost \$191.72 per van, for a total of \$383.44.

Neb. Rev. Stat. § 84-602.04(4)(a) (Cum. Supp. 2020) states, in relevant part, the following:

The website described in this section shall include a link to the website of the Department of Administrative Services. The Department’s website shall contain:

(i) A database that includes a copy of each active contract that is a basis for an expenditure of state funds, including any amendment to such contract and any document incorporated by reference in such contract . . .

Per the Nebraska State Accounting Manual, AM-005, Travel Policies, Section 7, Personal Automobiles (1/2021), Rental Cars – Insurance, “An employee should decline rental agency insurance coverages. Please refer to your agency’s annual letter from Risk Management. There is a section on rental cars. Under Section III B, it states that you should **NOT** accept the coverages because the car rental is covered by the State’s insurance.”

Good internal control requires procedures to ensure that expenses are reasonable and allowed by State statutes and policies.

Without such procedures, there is an increased risk for the improper expenditure of State funds.

We recommend the Commission implement procedures to ensure that expenses are reasonable and allowed by State statutes and policies.

Commission Response: The Commission contracts with the Nebraska Department of Agriculture for accounting transactions and will work with the Department to ensure contracts are appropriately available per State Statute. The Department Accounting and Finance Manager indicated a transition of NDA staff and workflow created a delay in the process. The Commission will work with Risk Management to document and implement appropriate policies for usage of vehicles when conducting State business.

2. **Compliance Reviews**

The Commission is funded primarily by a check-off fee assessed on dry edible beans grown in Nebraska and sold through commercial channels. Two-thirds of the fee is paid by the grower and one-third is paid by the first purchaser of the crop. The first purchaser is required to maintain records related to the fees collected on each purchase. The Commission contracts with the Nebraska Department of Agriculture (Department) to conduct compliance reviews of first purchasers to verify that the quarterly information submitted agrees to records on file with the first purchaser.

NEBRASKA DRY BEAN COMMISSION

COMMENTS AND RECOMMENDATIONS

(Concluded)

2. Compliance Reviews (Concluded)

We noted that compliance review policies and procedures could be improved. The Commission lacked written procedures for compliance reviews. There was no minimum number of reviews to be completed within a year or guidance on how many years can elapse before a first purchaser is reviewed.

Based on the most recent list of historical first purchasers provided, 18 first purchasers were identified. From July 2018 to December 2020, five of these were reviewed by the Department.

A good internal control plan requires the Commission to have written policies and procedures for conducting compliance reviews and ensuring that adequate review coverage is obtained.

Without such policies and procedures, there is an increased risk of compliance audits not being conducted timely and consistently. If adequate coverage is not obtained, there is an increased risk for noncompliance and loss of funds.

A similar comment was noted in the 2013 report.

We recommend the Commission develop, in conjunction with the Department, written policies and procedures for the selection of entities subject to compliance reviews and for conducting such reviews.

Commission Response: The Board will review current compliance audit procedures and work with the Department to strengthen the documentation of the Board's expectations. During fiscal year 2020, the Department communicated that compliance audits were limited due to staffing issues and the pandemic.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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NEBRASKA DRY BEAN COMMISSION

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Dry Bean Commission
Lincoln, Nebraska

We have examined the accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balance of the Nebraska Dry Bean Commission (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 Balance based on the accounting system and procedures set forth in Note 1. Our responsibility is to express an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Schedule of Revenues, Expenditures, and Changes in Fund Balance is based on the accounting system and procedures set forth in Note 1, in all material respects. An examination involves performing procedures to obtain evidence about the Schedule of Revenues, Expenditures, and Changes in Fund Balance. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Schedule of Revenues, Expenditures, and Changes in Fund Balance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Schedule of Revenues, Expenditures, and Changes in Fund Balance for the Period July 1, 2019, through December 31, 2020, is based on the accounting system and procedures prescribed by the State of Nebraska 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 Balance; 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 Balance is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedule of Revenues, Expenditures, and Changes in Fund Balance or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed no findings that are required to be reported under *Government Auditing Standards*.

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.

July 2, 2021

Charlie Janssen
Auditor of Public Accounts
Lincoln, Nebraska

NEBRASKA DRY BEAN COMMISSION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Period July 1, 2019, through December 31, 2020

	Dry Bean Development Utilization, Promotion, and Education Fund 28600 <hr/>
REVENUES:	
Taxes	\$ 571,588
Miscellaneous	54,636
TOTAL REVENUES	<hr/> <u>626,224</u>
EXPENDITURES:	
Personal Services	91,759
Operating	495,610
Travel	19,040
TOTAL EXPENDITURES	<hr/> <u>606,409</u>
Net Change in Fund Balance	19,815
FUND BALANCE, July 1, 2019	<hr/> <u>560,261</u>
FUND BALANCE, December 31, 2020	<hr/> <u>\$ 580,076</u>
FUND BALANCE CONSISTS OF:	
General Cash	\$ 586,725
Deposits with Vendors	667
Accounts Receivable Invoiced	3,093
Due to Vendors	(10,409)
TOTAL FUND BALANCE	<hr/> <u>\$ 580,076</u>

The accompanying notes are an integral part of the schedule.

NEBRASKA DRY BEAN COMMISSION

NOTES TO THE SCHEDULE

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

1. Criteria

The accounting policies of the Nebraska Dry Bean 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 Balance was obtained directly from the general ledger and fund balance information maintained on EnterpriseOne. EnterpriseOne is not an accrual accounting system; instead, accounts are maintained on a modified cash basis. As revenue transactions occur, the agencies record the accounts receivable and related revenues in the general ledger. As such, certain revenues are recorded when earned, regardless of the timing of related cash flows. State Accounting does not require the 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.

Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

The following fund type is established by the State and used by the 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.

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

Taxes – Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. Taxes recorded as revenue for the Commission consist of an excise tax of 15 cents per hundredweight for harvested dry edible beans.

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

NEBRASKA DRY BEAN COMMISSION

NOTES TO THE SCHEDULE

(Continued)

1. Criteria (Concluded)

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.

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, deposits with vendors, and receivable accounts. Accounts receivable are recorded as an increase to revenues, resulting in an increase to fund balance on the schedule. Cash accounts and deposits with vendors are also included in fund balance and are reported as recorded in the general ledger.

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

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. General Cash

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

4. Capital Assets

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

NEBRASKA DRY BEAN COMMISSION

NOTES TO THE SCHEDULE

(Concluded)

4. Capital Assets (Concluded)

However, State Accounting does adjust such expenditures and reports the capital assets as assets for the State of Nebraska in the Annual Comprehensive Financial Report (ACFR). In addition, the Commission takes an annual inventory, recording in the State Accounting System all equipment that has a cost of \$5,000 or more at the date of acquisition, and all computers.

For the ACFR, 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 ACFR 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 ACFR using the straight-line method with estimated useful lives of three 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	\$ 1,029	\$ -	\$ -	\$ 1,029
Less accumulated depreciation for:				
Equipment				<u>1,029</u>
Total capital assets, net of depreciation				<u>\$ -</u>

NEBRASKA DRY BEAN COMMISSION

SUPPLEMENTARY INFORMATION

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

NEBRASKA DRY BEAN COMMISSION
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Period July 1, 2019, through June 30, 2020

Exhibit A

	Dry Bean Development Utilization, Promotion, and Education Fund 28600
REVENUES:	
Taxes	\$ 300,775
Miscellaneous	43,871
TOTAL REVENUES	<u>344,646</u>
EXPENDITURES:	
Personal Services	58,935
Operating	447,514
Travel	17,343
TOTAL EXPENDITURES	<u>523,792</u>
Net Change in Fund Balance	(179,146)
FUND BALANCE, July 1, 2019	<u>560,261</u>
FUND BALANCE, June 30, 2020	<u><u>\$ 381,115</u></u>
FUND BALANCE CONSISTS OF:	
General Cash	\$ 377,388
Deposits with Vendors	667
Accounts Receivable Invoiced	3,060
TOTAL FUND BALANCE	<u><u>\$ 381,115</u></u>

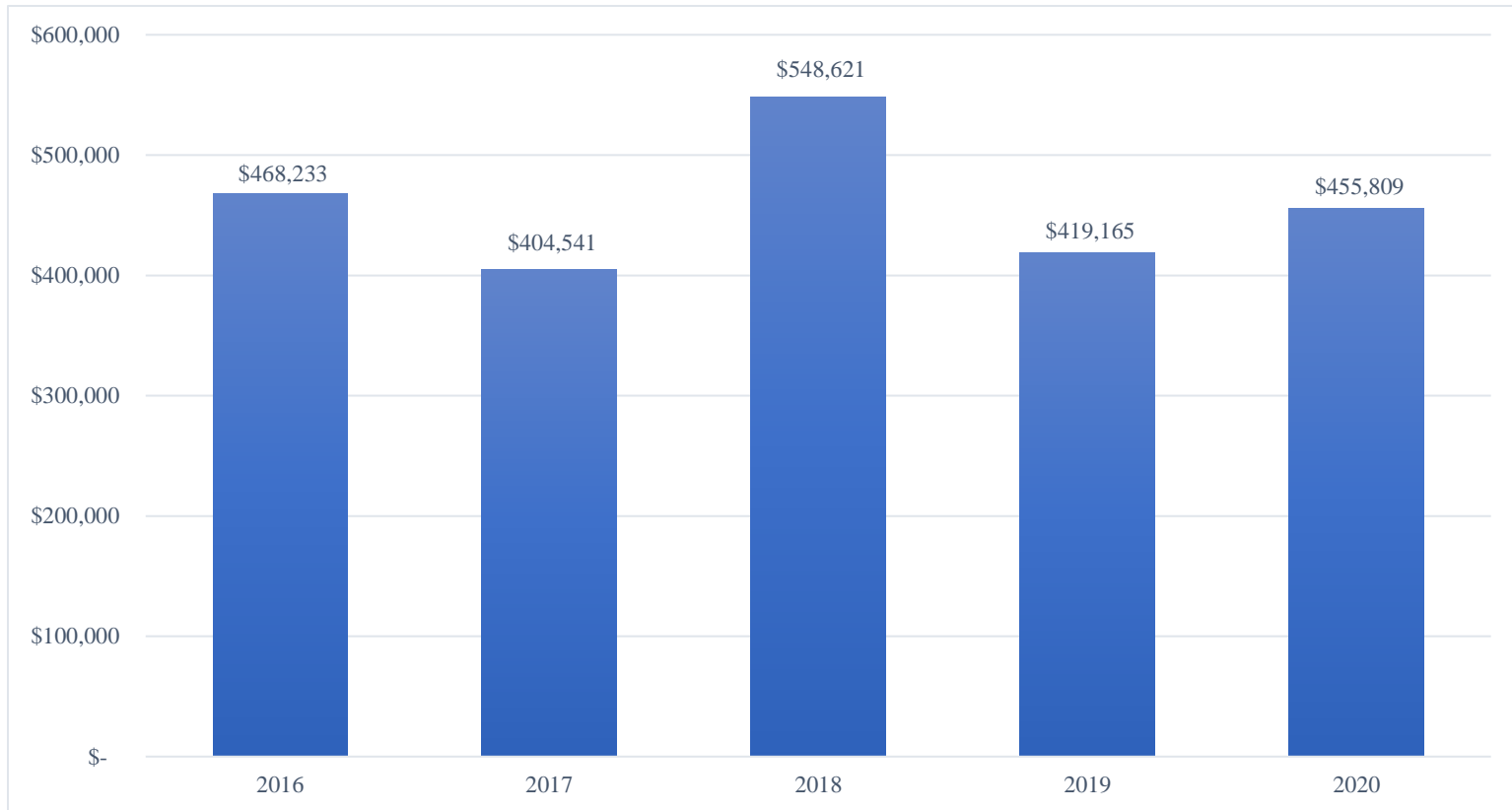
NEBRASKA DRY BEAN COMMISSION
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Period July 1, 2020, through December 31, 2020

Exhibit B

	Dry Bean Development Utilization, Promotion, and Education <u>Fund 28600</u>
REVENUES:	
Taxes	\$ 270,813
Miscellaneous	10,765
TOTAL REVENUES	<u>281,578</u>
EXPENDITURES:	
Personal Services	32,824
Operating	48,096
Travel	1,697
TOTAL EXPENDITURES	<u>82,617</u>
Net Change in Fund Balance	198,961
FUND BALANCE, July 1, 2020	<u>381,115</u>
FUND BALANCE, December 31, 2020	<u><u>\$ 580,076</u></u>
FUND BALANCE CONSISTS OF:	
General Cash	\$ 586,725
Deposits with Vendors	667
Accounts Receivable Invoiced	3,093
Due to Vendors	(10,409)
TOTAL FUND BALANCE	<u><u>\$ 580,076</u></u>

NEBRASKA DRY BEAN COMMISSION
DRY BEAN TAXES RECEIVED
Calendar Years 2016 through 2020

Exhibit C



NEBRASKA DRY BEAN COMMISSION
EXPENDITURES BY SUBPROGRAM
For the Period July 1, 2019, through December 31, 2020

Exhibit D

