NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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April 28, 2022

Rodney Wagner, Director
Nebraska Library Commission
1200 N Street, Ste 120
Lincoln, Nebraska 68508

Dear Mr. Wagner:

We were engaged to audit 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, 2021, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and we have issued our report thereon dated April 28, 2022. In connection with our engagement to audit the financial statements, 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, 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 engagement to audit the financial statements as described above, we noted a certain internal control or compliance matter related to the activities of the Nebraska Library Commission (Commission) or other operational matters that are presented below for your consideration. The comment and recommendation, which has been discussed with the appropriate members of the Commission management, is 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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. However, material weaknesses may exist that have not been identified.

Draft copies of this letter were furnished to the Commission to provide management with an opportunity to review and to respond to the comment and recommendation contained herein. The Commission declined to respond.

The following is our comment and recommendation for the year ended June 30, 2021.

EnterpriseOne Timesheets

The Commission used EnterpriseOne (E1), the State's accounting system, to track employee time worked and leave used. Employees submitted their time worked for each pay period to a supervisor who approved the timesheet prior to payment. However, E1 did not accurately track who approved the timesheets in the system. Supervisors could set up delegates in the system to approve timesheets and leave requests should the supervisor be unavailable. The system did not record who actually approved the timesheet. If a delegate approved an employee timesheet, the system would record the assigned supervisor as the approver. When delegates were set up for their supervisor, the delegate was then able to alter and approve his or her own timesheet. Furthermore, there was no audit trail for delegates in E1. When a supervisor terminated, there was no record of the delegates in the system. Supervisors were also able to delete delegates without any record of the assignment. The Commission did not have any compensating controls in place to document who approved an employee's timesheet.

The Commission had $2,772,147 in personal service expenditures during the fiscal year ended June 30, 2021.

A good internal control plan requires procedures to ensure that the approval of timesheets is documented accurately for subsequent review.

> We recommend that, until E1 records approval of timesheets accurately, the Commission should implement procedures for documenting the supervisory review and approval of timesheets outside of the system.

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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 Commission 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 Commission.

This communication is intended solely for the information and use of management, the Governor and State Legislature, others within the Commission, Federal awarding agencies, pass-through entities, and management of the State of Nebraska and is not suitable for any other purposes. However, this communication is a matter of public record, and its distribution is not limited.

Kris Kucera

Kris Kucera, CPA, CFE
Assistant Deputy Auditor