NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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December 13, 2023

Hobert Rupe, Executive Director
Nebraska Liquor Control Commission
301 Centennial Mall South – 1st floor
P.O. Box 95046
Lincoln, Nebraska 68509-5046

Dear Mr. Rupe:

We have audited 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, 2023, 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 December 13, 2023. 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 Liquor Control Commission (Commission) or other operational matter that is presented below for your consideration. The comment and recommendation, which has been discussed with the appropriate members of the Commission's 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 or significant deficiencies 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. Where no response had been included, the Commission declined to respond.

The following is our comment and recommendation for the year ended June 30, 2023.

1. <u>EnterpriseOne Timesheets</u>

Commission employees use the State's accounting system, EnterpriseOne, to record time worked and leave used. EnterpriseOne did not accurately track who approved timesheets in the system. The supervisor assigned to an employee approved the timesheet. However, supervisors were allowed to set up delegates, or another employee, in the system to approve timesheets in the supervisor's absence. 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 EnterpriseOne. When a supervisor removed a delegate from the system, there was no record of the delegate in EnterpriseOne. Supervisors were also able to delete delegates without any record of the assignment. Consequently, the Commission lacked a compensating control for documenting the actual approver of timesheets.

A good internal control plan requires procedures to ensure that the approval of timesheets is documented accurately for subsequent review. Without such procedures, there is an increased risk for loss of State funds.

A similar finding was noted during the previous audit.

> We recommend that, until EnterpriseOne 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.

The purpose of this letter is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the State of Nebraska's internal control over financial reporting or on compliance. This letter is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Nebraska's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purposes.

Kris Kucera

Kris Kucera, CPA, CFE
Assistant Deputy Auditor