



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

---

Mike Foley  
State Auditor

Mike.Foley@nebraska.gov  
PO Box 98917  
State Capitol, Suite 2303  
Lincoln, Nebraska 68509  
402-471-2111, FAX 402-471-3301  
auditors.nebraska.gov

December 13, 2023

Jim Macy, Director  
Nebraska Department of Environment and Energy  
245 Fallbrook Blvd, Suite 100  
Lincoln, Nebraska 68521

Dear Mr. Macy:

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 Department of Environment and Energy (Department) or another operational matter that is presented below for your consideration. This comment and recommendation, which has been discussed with the appropriate members of the Department'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 Department to provide management with an opportunity to review and to respond to the comment and recommendation contained herein. The formal response received has been incorporated into this letter. The response was not subjected to the other auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on it. A response that indicates corrective action has been taken was not verified at this time but will be verified in the next audit.

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

**Accounting Errors**

The Department is responsible for the accurate recording of financial transactions in the State’s accounting system, as well as for properly reporting construction in progress (CIP) to the Department of Administrative Services – State Accounting (State Accounting) for proper financial statement and footnote presentation. During our testing we noted the following accounting errors:

Description	Amount
The costs for one CIP software project were inaccurate because prior year costs were excluded from the beginning balance. An adjustment was proposed by the APA and recorded by State Accounting to correct the costs.	\$ 114,367
For the same software project noted above, the Department incorrectly recorded current year costs in the accounting system to operating expenditure accounts, not to the correct CIP accounts. CIP is generally used to record construction activity for substantially incomplete projects, including buildings, infrastructure, computer software, etc. While the Department properly reported this activity as CIP on its accrual response form submitted to State Accounting, the improper coding of expenses increases the risk for material misstatement of the financial statements and footnote disclosures and is not in compliance with State Accounting policy.	\$ 53,354
The purchase of an Adobe Experience Manager (AEM) - Adobe Volume License was recorded incorrectly as a capital asset, when it should have been recorded as a Subscription Based Information Technology Arrangement in accordance with Governmental Accounting Standards Statement Number 96.	\$ 23,615
Part of a loan payment made to the City of Syracuse, NE, for drinking water land acquisition was recorded to the wrong fund in the accounting system. When the Department received repayment from the City, that transaction was recorded properly. The initial error resulted in a negative accounts receivable.	\$ 7,494
The Department incorrectly recorded a deposit in the accounting system and then attempted to correct it with a journal entry. However, the journal entry was also incorrect and went unnoticed until discovered by the APA.	\$ 1,539

A proper system of internal control requires procedures to ensure that CIP, capital assets, loan payments, and journal entries are recorded correctly in the accounting system. Without such procedures, there is an increased risk of material misstatements to the financial statements, which could remain undetected.

We recommend the Department implement procedures to ensure that financial information is recorded accurately in the accounting system.

*Department’s Response: NDEE researched, understands and agrees with the APA’s assessment of the accounting errors listed above. We have taken the appropriate actions related to the two separate Construction in Progress (CIP) findings. As a fiscal team (NDEE Accounting), we will discuss/troubleshoot the remaining audit items noted above and will investigate any systematic, procedural or instructional discrepancies that might have caused these errors.*

\* \* \* \* \*

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 Department 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 Department.

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.

A handwritten signature in blue ink that reads "Kris Kucera". The signature is written in a cursive style with a large initial "K".

Kris Kucera, CPA, CFE  
Assistant Deputy Auditor