



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 18, 2024

Kerry Belitz, Director
Nebraska Department of Economic Development
245 Fallbrook Blvd, Suite 002
Lincoln, Nebraska 68521

Dear Mr. Belitz:

We have audited, 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, 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, 2024, and the related notes to the financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated December 18, 2024. In planning and performing our audit of the financial statements, we considered the State's system of 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 audit described above, we noted a certain internal control or compliance matter related to the activities of the Nebraska Department of Economic Development (Department) or another operational matter that is presented below for your consideration. The 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Draft copies of this management 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 management letter. *Government Auditing Standards* require the auditor to perform limited procedures on the responses. The response was not subjected to the other auditing procedures applied in the audit of 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 it will be verified in the next audit.

The following is our comment and recommendation for the year ended June 30, 2024.

Incorrect Fiscal Year for Expenditures

The State accounting system allows users to identify transactions applicable to the prior fiscal year by applying a certain code to the transaction. When transactions processed during the fiscal year are identified with this code as a prior year expense, the Department of Administrative Services – State Accounting Division (State Accounting) records an entry to remove the expense from the current year activity and to adjust the beginning fund balance. The Auditor of Public Accounts (APA) reviewed a sample of prior and current year expenditures recorded by the Department to determine whether the transactions were reported in the proper fiscal year.

The Department incorrectly recorded one \$300,000 reimbursement to a local municipality as a fiscal year 2025 expenditure; however, the expenditure was incurred in July 2023 and should have been recorded as a fiscal year 2024 expenditure.

A proper system of internal control requires procedures for ensuring that expenses are recorded to the correct fiscal year. Without such procedures, there is an increased risk of a material misstatement in the financial statements.

We recommend the Department implement procedures for recording transactions to the proper fiscal year, using the correct codes in the accounting system.

Department Response: In response to a previous finding, DED updated its policy to require that all expenditures be recorded for the proper fiscal year. DED has determined that considering this repeat finding that additional direction was required. DED has communicated to its Finance Team and Program Staff to review the source documentation for an expense when assigning a fiscal year and determining whether to P9 the expense. Additionally, DED's Internal Auditor will conduct testing of a sampling of expenses to determine if there are still deficiencies in DED's P9 policy and procedure and make any necessary adjustments to ensure compliance.

* * * * *

It should be noted that this letter is critical in nature, as it contains only our comment and recommendation and does not include our observations on any strengths of the Department.

Our audit procedures were designed primarily to enable us to form an opinion on the Basic Financial Statements. Our audit procedures were also designed to enable us to report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards* 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 State's internal control over financial reporting or compliance.

This communication is intended solely for the information and use of management, the Governor and State Legislature, others within the Department, 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, CPA, CFE
Assistant Deputy Auditor