ATTESTATION REPORT
OF THE
NEBRASKA BRAND COMMITTEE

JANUARY 1, 2025, THROUGH DECEMBER 31, 2025

Issued on June 30, 2026

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NEBRASKA BRAND COMMITTEE

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NEBRASKA BRAND COMMITTEE

BACKGROUND

The Nebraska Brand Committee (Committee) was created in 1941 to protect Nebraska brand and livestock owners through brand recording and livestock theft investigation. Per the Livestock Brand Act, which is set out at Neb. Rev. Stat. §§ 54-170 to 54-1,131 (Reissue 2021), the Committee is composed of five members appointed by the Governor to four-year terms. Three members must be active cattlepersons, and at least one member must be an active cattle feeder. The Secretary of State and the Director of Agriculture, or their designees, are also nonvoting, ex-officio members of the Committee.

The Committee's duties include, but are not limited to, the following:

- Recording and maintaining records of all livestock brands utilized in the State;
- Determining rightful ownership of cattle sold or transported from or within the brand inspection area;
- Investigating reported livestock thefts;
- Determining rightful ownership of estrays; and
- Administering registered feedlot and registered dairy programs.

The Committee is self-supporting, operating on the proceeds collected from the inspection of cattle and the recording of livestock brands.

KEY OFFICIALS AND AGENCY CONTACT INFORMATION

Nebraska Brand Committee Members

Name	Title
Duane Gangwish	Chairperson
Chris Gentry	Vice-Chairperson
Brenda Masek	Committee Member
Susan Connell	Committee Member
Steve Stroup	Committee Member
Honorable Robert Evnen	Ex-Officio (Secretary of State)
Sherry Vinton	Ex-Officio (Director, Department of Agriculture)

Nebraska Brand Committee Executive Management

Name	Title
Tom Hughson	Interim Executive Director (as of June 10, 2026)
Don Arp Jr.	Former Executive Director (resigned as of June 1, 2026)
Dean Anderson	Business Manager

Nebraska Brand Committee
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Alliance, NE 69301
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SUMMARY OF COMMENTS

During our examination of the Nebraska Brand Committee (Committee), we noted certain deficiencies and other operational matters that are presented here. The following comments are required to be reported in accordance with *Government Auditing Standards*: Comment #9 ("Estray Case Errors"), which is considered to be a significant deficiency, and Comments #1 ("Lack of Controls Over Revenue"), #2 ("Lack of Segregation of Duties Over Payroll"), and #5 ("Payroll Authorization and Other Calculation Errors"), which are considered to be material weaknesses.

These comments and recommendations are intended to improve the internal control over financial reporting or result in other operational efficiencies in the following areas:

1. ***Lack of Controls Over Revenue:*** We noted a lack of controls for ensuring that the revenue process was complete and accurate. A significant risk for the loss, theft, or misuse of funds was identified. Revenue totaled $5,823,674 for the period tested.

2. ***Lack of Segregation of Duties Over Payroll:*** One individual was able to process payroll, as well as review payroll reports, without anyone else's involvement in the process. Personnel expenditures totaled $4,732,997 for the period tested.

3. ***Employee "On Call" Payments:*** Office employees of the Committee received a total of $2,215 in compensation for "on call" hours that were not formally authorized.

4. ***Compensatory Time Errors:*** The Committee forfeited improperly employee compensatory time earned, which amounted to $4,786 in wages for 17 employees. The Committee failed to follow its own policies regarding both the accumulation of and approval for compensatory time.

5. ***Payroll Authorization and Other Calculation Errors:*** During payroll testing, we noted the following errors: 1) inadequate documentation to support approval of employee time sheets by a supervisor; 2) no documentation to support employee rates of pay; 3) no documentation to support approval of hire by the executive director; 4) no documentation to support employee hours worked for one employee tested; 5) exempt employees not reporting hours worked; 6) calculation errors for three paychecks tested, resulting in a total underpayment of $69; and 7) no policy regarding employee time worked on a holiday.

6. ***Terminated Employee Overpayments:*** The gross wages for three terminated employees tested were incorrect due to the failure of the Committee to calculate correctly the following: 1) leave usage and earnings; 2) prorated salary amounts for time worked; and 3) insurance premiums. The errors resulted in a net overpayment of $1,077.

7. ***Leave Errors:*** The Committee lacked adequate procedures for ensuring that documentation of supervisory pre-approval was on file to support leave used by employees. Further, the Committee allowed employees to use leave without pre-approval in violation of Committee policy. Lastly, 15 employee leave balances were incorrect due to the failure of the Committee to calculate payroll correctly and to rectify any resulting errors.

8. ***Intermittent Brand Inspector Benefits and Overtime:*** The Committee did not perform an analysis of intermittent brand inspectors to ensure compliance with the Federal Affordable Care Act, Federal labor laws governing overtime pay, and State laws pertaining to retirement participation. Four employees tested in detail appear to be eligible to participate in the State's retirement program. Three of the four employees tested also appear to be eligible to receive health insurance through the State, moreover, and should have been paid for overtime work.

9. ***Estray Case Errors:*** The Committee did not monitor adequately estray cases to ensure appropriate resolution of the amounts held, resulting in errors totaling $77,495. Additionally, during the calendar year, the Committee failed to calculate accurately costs owed from estray cases, resulting in an overpayment of $1,184 to the Inspection and Theft Prevention Fund.

SUMMARY OF COMMENTS
(Concluded)

10. ***Travel Issues:*** The Committee lacked adequate documentation and review procedures for ensuring the propriety of mileage reimbursements and purchasing card transactions. We noted the following issues: 1) purchases made by the criminal investigator area supervisors were unsupported, and a documented business purpose could not be provided for them; 2) seventeen transactions tested contained travel expenditures in excess of the U.S. General Services Administration rates; 3) ten transactions tested had no itemized receipt on file; 4) travel logs for employees were inadequate and contained unsupported mileage reimbursements; and 5) rented vehicles were kept at an employee's home without approval.

11. ***Other Expenditure Issues:*** The Committee lacked adequate documentation and review procedures for ensuring that expenditures were not only supported and calculated appropriately but also made for a reasonable business purpose. Additionally, the Committee paid $918 in both sales and lodging taxes inappropriately for 37 transactions tested.

12. ***Capital Asset Issues:*** One Committee employee was able to perform all capital asset procedures without a secondary review. Integrity reports were not reviewed and acted on promptly. An asset was not valued properly in the State's accounting system, five assets were not tagged appropriately, and five assets were not removed from the asset listing in a timely manner. Lastly, the Committee has no internal procedure for tracking inventory maintained outside of its headquarters office in Alliance, NE.

13. ***Fees Charged Not Compliant with State Statute:*** We noted two fees charged by the Committee that were not in compliance with State statutes governing such fees.

14. ***Statement of Financial Interests Filing:*** One Committee member failed to file a Statement of Financial Interest with the Nebraska Accountability and Disclosure Commission by March 1, 2026, for calendar year 2025.

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 observation regarding any strengths of the Committee.

Draft copies of this report were furnished to the Committee 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 have been objectively evaluated and recognized as appropriate in 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.

COMMENTS AND RECOMMENDATIONS

1. Lack of Controls Over Revenue

The numerous duties of the Nebraska Brand Committee (Committee) include the following: 1) performing livestock inspections at various locations across the State; 2) processing brand applications and permits; 3) collecting fees provided by State law to maintain brand records; 4) investigating stolen or missing livestock; and 5) inspecting both the movement of livestock outside brand inspection areas and changes of livestock ownership. Revenue totaling $5,823,674 was collected for performing these, as well as other, duties throughout the calendar year ended December 31, 2025.

The Committee lacked adequate controls for ensuring that revenues were complete, accurate, and received timely. We noted a significant risk for the loss, theft, or misuse of funds due to a lack of procedures over the following: 1) segregation of duties for brand-related activity; 2) cash balancing processes and safeguarding balancing records against subsequent tampering; 3) denied applications and the return of cash or checks to rejected applicants; 4) the ability to override fees in the Committee's internally created software, NBC-Admin; 5) reconciliations to ensure the amount received for a registered feedlot is complete and accurate; and 6) the expeditious deposit of cash collected in the field by inspectors.

The following table provides details for each of the above concerns.

Transaction Type	Description	Total Amount Collected
Registered Feedlots (RFL)	An area investigator from the Committee will visit any new RFL location to ensure that the producer qualifies. Once approved, the area investigator will call the Committee Business Manager to confirm the rate and the total amount to be charged, which is then recorded and receipted into an internally created software, NBC-Admin. The following issues were noted regarding the Committee's RFL fee process: • No NBC-Admin reports reflect activity for new RFL permits issued. The Committee relies on the brand inspectors to file deposit slips showing the amount of money collected and deposited for this activity. • Due to the unavailability of new RFL permit data, the Committee does not perform a reconciliation between the NBC-Admin system, which records all RFL transactions, and the State's accounting system, which records all deposit transactions. • Subsequent RFL permits are automatically invoiced and paid through the NBC-Admin system annually at the end of June. In situations where a new RFL permit is issued, the Committee will prorate the initial registration amount based on the month in which the registration occurred; however, the NBC-Admin system lacks the capability to charge a partial year of fees. Therefore, a receipt is issued for a full year of fees despite only a partial year's amount being collected.	$ 1,189,396
Cash and Check Received	Cash and checks are either received by office staff, typically for brand applications and permits, or collected directly by inspectors in the field. We noted the following issues with cash and checks received in office: • When cash or checks are received by office staff, the Committee's process is to create an initial ticker tape when the mail is opened; however, this ticker tape is not signed, dated, or otherwise marked to prohibit subsequent tampering.	$ 535,094

COMMENTS AND RECOMMENDATIONS
(Continued)

1. Lack of Controls Over Revenue (Continued)

Transaction Type	Description	Total Amount Collected
	• During our review of eight daily deposits, one daily balance sheet indicated that $26,200 was received in cash and checks; however, no initial ticker tape was provided to support the accuracy of that claim. Only the subsequent ticker tape created when preparing the bank deposit, totaling $25,300, was on file. • Cash and checks collected in the field are generally designated as "payment pending" in the system until office staff mark the funds as received; however, we noted that two employees who complete inspections and receive cash and checks have the ability in NBC-Admin to mark payments as received. There are no procedures for reconciling cash receipts in NBC-Admin to the State's accounting system, which records all deposit transactions.	
Brand Applications	Once the initial ticker tape is created, the cash and checks are split among various employees in the office for further activity. One employee receives cash and check payments for all brand applications and transfers. This same employee approves the application and records the activity in NBC-Admin. No reconciliation by someone else is completed between cash and checks received and applications recorded in NBC-Admin. The Committee allows the waiver of the renewal fee for any new applications received within six months of the renewal due date; however, the employee who processes the applications and collects the cash or checks can also determine if the fee should be waived. No secondary review is completed of the renewal waivers for consistency and appropriateness.	$ 184,055
Denied or Returned Applications	For applications that are not accepted due to error or are denied, the payment is returned to the applicant. The Committee will issue a letter to the rejected applicant, return the cash or check received, and record the return on a daily balance sheet. However, only one employee is in charge of collecting the cash or check, denying the application, and issuing the refund to the applicant. This same employee also completes the daily balance sheet. Additionally, a statutory research fee of $50 per new brand application is required to be paid; however, despite that fee being designated as nonrefundable by the Committee, this same employee has the unilateral authority to determine whether to refund it to the applicant. We noted that one of eight returned items tested, totaling $30, lacked documentation, such as a letter, to support that the return was completed. Because receipts are issued only for approved applications, the return of money collected for rejected applications is recorded only on the daily balance sheet. The amount noted in the "Total Amount Collected" column to the right was not a full listing of all returns during the calendar year; instead, it encompassed 70 returned items over only 16 days tested.	$ 6,010
Admin Override	The Committee's system, NBC-Admin, has an "admin override" function that allows fees to be waived. All administrative employees and brand inspectors, who process the initial transactions and collect payment, also have the authority to override fees in the system. No secondary review or approval is completed to ensure the propriety of these waived fees. Additionally, employees with "admin override" access can override their own transactions. During the calendar year, we noted 304 fee overrides for a total of $4,078 waived.	$ 4,078

COMMENTS AND RECOMMENDATIONS
(Continued)

1. Lack of Controls Over Revenue (Concluded)

Transaction Type	Description	Total Amount Collected
Nonsufficient Fund Items	The Committee lacked procedures for the timely review and collection of payments returned as nonsufficient fund items. As of December 31, 2025, the accounting system showed $1,017 in such returned payments that had not been pursued.	$ 1,017
Untimely Deposits	During testing, we noted two amounts collected, totaling $493, that were not deposited timely to the State treasury in accordance with statute: • One amount tested consisted of cash, totaling $478, collected in the field between 29 to 36 days prior to deposit. • One amount tested contained a grazing permit, totaling $15, that was not deposited until seven business days following receipt. Neb. Rev. Stat. § 84-710 (Reissue 2024) requires "money belonging to the state" to be remitted to the State treasury "within three business days of the receipt thereof when the aggregate amount is five hundred dollars or more and within seven days of the receipt thereof when the aggregate amount is less than five hundred dollars."	$ 493
	Total	**$ 1,920,143**

Issues similar to those described above have been noted in several prior attestation reports.

A proper system of internal control requires administrative procedures to ensure the existence of an adequate segregation of duties – or, in its absence, sufficient compensating measures – to prevent one individual from being in a position both to perpetrate and to conceal errors or irregularities when handling receipts. Those same procedures should require also the timely review and collection of nonsufficient fund items, and the prompt deposit of receipts to the State treasury in compliance with statutory time requirements.

A lack of such administrative procedures increases the risk of not only loss, misuse, or theft of State funds but also statutory noncompliance.

> We recommend the Committee implement procedures to ensure a proper segregation of duties or compensating measures for the handling of receipts, a timely review and collection of nonsufficient fund items, and the timely deposit of monies to the State treasury.

Committee Response: The Committee appreciates the review and suggestions of the APA and will explore developing new processes, both internally and with Tyler Technologies (developer of the NBC-Admin platform), that reflect the best practices highlighted by APA staff.

2. Lack of Segregation of Duties Over Payroll

The State's accounting system has no established segregation of duties for payroll processing. Therefore, employees with access to process payroll are able to perform all procedures without anyone else being required to approve those transactions.

Accordingly, the Committee should have compensating procedures in place, such as a documented review of the payroll register by someone without payroll access, to ensure that nobody is able to conceal errors or irregularities. The Committee had four workers who were able to perform all payroll processes and review reports to ensure that expenditures were accurate and proper. There was no secondary review by anyone without payroll access.

2. Lack of Segregation of Duties Over Payroll (Concluded)

Additionally, one of the workers responsible for processing and reviewing payroll reports also entered changes to employee pay rates and employee information into the human resources system. No secondary review of these changes was completed.

In addition to these segregation of duties concerns, we noted the following issues with the Committee's payroll process:

- No documented review of the reconciliation of payroll input (time entry, leave used, pay changes) to payroll output (payroll register) was completed.
- Due to the number of errors identified in the payroll process, any reviews or other control procedures currently in place are clearly insufficient to ensure that payroll is being processed correctly. See Comments #3 ("Employee 'On Call' Payments"), #4 ("Compensatory Time Errors"), #5 ("Payroll Authorization and Other Calculation Errors"), #6 ("Terminated Employee Overpayments"), #7 ("Leave Errors"), and #8 ("Intermittent Brand Inspector Benefits and Overtime") for more information regarding payroll process errors during the calendar year.
- One employee given payroll access in the State's accounting system does not appear to have any payroll-related responsibilities.

The Committee made $4,732,997 in personal service expenditures during the calendar year ended December 31, 2025.

A proper system of internal control requires an adequate segregation of duties to ensure that no one is in a position both to perpetrate and to conceal errors or irregularities. This would require somebody without payroll access to perform a documented review of the payroll register and any changes to pay rates or employee information to ensure that it is correct.

Without an adequate segregation of duties, there is an increased risk of errors or irregularities occurring and not being detected.

> We recommend the Committee implement procedures for someone without payroll access to perform a documented review of both the payroll register and any changes to pay rates or employee information for accuracy and reasonableness. Such review should be sufficiently detailed to reduce the number of payroll processing errors. Additionally, we recommend the Committee review system access to ensure that it is appropriately limited.

Committee Response: During the period tested, the Committee experienced the departure of the former office manager, leading staff to fill an operational gap. While several State Accounting partners were instrumental in assisting Committee staff in addressing proper processes and issues as they arouse, issues still occurred. The Committee will work to implement the procedures suggested by the APA, including system access and staff roles.

3. Employee "On Call" Payments

The Committee allowed its three office staff employees to take turns leaving work early – taking off from 1:00 p.m. to 4:00 p.m. – on Fridays, provided that their duties for the week were completed. Instead of requiring the office employees to use leave for the time off, those hours were characterized on their time sheet as "on call" and were paid as regular work hours. The Committee had no formal policy authorizing employees to be paid regular hours for time away from work. Per discussion with Committee representatives, however, this practice had been initiated and authorized by the former office manager.

COMMENTS AND RECOMMENDATIONS
(Continued)

3. <u>Employee "On Call" Payments</u> (Concluded)

During calendar year 2025, the Committee allowed at least one office employee to leave work early on 56% of Fridays, adding a combined 82.85 "on call" hours, totaling $2,215, at the three employees' regular rates of pay. Similar amounts were likely paid out in previous years; however, those suspected prior expenditures were not reviewed as part of this attestation.

The table below details the "on call" hours paid to the three office employees during the period tested:

Employee	# of Days	"On Call" Hours	Total Paid
Employee #1	13*	34.10	$ 1,038
Employee #2	13	31.75	867
Employee #3	6	17.00	310
	32	**82.85**	**$ 2,215**

**One week's time sheet for Employee #1 contained "on call" hours for a Friday; however, she failed to clock in or out on that day. Therefore, the day is reflected in the "# of Days" count, but neither the hours nor the amount paid is included for it.*

Despite the Committee's stated practice of allowing one of three office employees to take turns leaving work early – from 1:00 p.m. to 4:00 p.m. – on Fridays, we noted three instances of two employees leaving early on the same day and three instances of an employee leaving before 1:00 p.m.

Contrary to the practice noted above, the Committee's "Employee Policy Handbook" (Revised October 21, 2025) ("Handbook") states the following:

> *Absences during working time are not paid <u>unless covered by paid leave (vacation, sick, etc.)</u> and approved by your supervisor.*

(Emphasis added.) (pg. 11) Aside from a single passing reference in its "Drug, Alcohol & Tobacco" section (pg. 26), moreover, the Handbook contains no provision for "on call" hours, and they are not included among the types of "leave" specified therein (pgs. 40-47).

Further, a proper system of internal control requires procedures to ensure that employees are paid only for either hours actually worked or leave used, as specified in the Committee's Handbook.

Without such procedures, there is an increased risk of not only the Committee being noncompliant with its own formal policies but also the misuse of State funds.

> We recommend the Committee implement procedures to ensure all employees are paid in compliance with the provisions of its Handbook.

Committee Response: As noted, this practice was initiated and authorized by the former office manager. When the former executive director, who officed in Lincoln, was informed of the practice during the fieldwork for this audit, the practice was discontinued immediately.

4. <u>Compensatory Time Errors</u>

The Committee allows employees who qualify as "non-exempt" under the Fair Labor Standards Act of 1938 ("Act") – Pub. L. No. 75-718, 52 Stat. 1060 (codified as amended at 29 USC §§ 201-219) – to accrue compensatory time for working in excess of 40 hours per week. This time is accrued at the rate of one and one-half hours for every overtime hour worked. Compensatory time is provided as compensation to employees in lieu of paid overtime.

4. Compensatory Time Errors (Continued)

The Committee improperly forfeited employee compensatory time earned for 17 employees. The Committee also failed to follow its own policies regarding the accumulation of, and approval for, compensatory time.

The specific issues noted are detailed below:

- Since 2021, according to Committee representatives, any compensatory time accrued by an employee is forfeited if not used by September 1 of each year. While a review dating back to 2021 was not completed, we noted that a total of 215.77 hours of compensatory time, equaling $4,786 in wages, earned by 17 employees were forfeited in calendar year 2025 alone.

  The table below provides the forfeiture details for each employee:

Employee	Number of Hours	Equivalent Wages
Employee #1	56.71	$ 1,364
Employee #2	23.48	595
Employee #3	17.43	429
Employee #4	15.83	297
Employee #5	15.62	342
Employee #6	15.14	284
Employee #7	13.48	256
Employee #8	12.59	331
Employee #9	8.24	155
Employee #10	8.09	154
Employee #11	7.67	154
Employee #12	7.12	142
Employee #13	4.94	96
Employee #14	3.54	70
Employee #15	2.35	46
Employee #16	1.90	40
Employee #17	1.64	31
Totals	**215.77**	**$ 4,786**

  Per the Act, as well as the associated Title 29 of the Code of Federal Regulations ("CFR"), Part 553, known as the "Application of the Fair Labor Standards Act to Employees of State and Local Governments," compensatory time is a substitute for overtime wages already earned. Once earned, the employee can either use or be paid for that particular form of compensation.

  Specifically, 29 CFR § 553.27(a) (July 1, 2025) states, "Payments for accrued compensatory time . . . may be made at any time and shall be paid at the regular rate earned by the employee at the time the employee receives such payment." Further, subsection (b) of that same section says, in part, that "an employee shall be paid for unused compensatory time . . . ."

  These provisions appear to be parroted in the Committee's "Employee Policy Handbook" (Revised October 21, 2025) ("Handbook"), which provides the following:

  > *In lieu of paid overtime, the Nebraska Brand Committee may compensate nonexempt employees for hours worked in excess of 40 hours during the scheduled work week by providing them with compensatory time off from work ("comp time").*

4. Compensatory Time Errors (Concluded)

> * * * *
>
> *The Committee reserves the right to: (a) substitute monetary compensation at any time in lieu of providing comp time; and (b) require emp0loyees [sic] to use accrued comp time at any time. When taking time off, employees will be required to use comp time prior to using accrued vacation. Employees shall make every effort to use and "zero out" comp time balances by September 1st of each year, unless otherwise approved in advance by the Executive Director.*

(Emphasis added.) (pg. 15)

- For two monthly paychecks tested, we noted three employees who worked 5.17 hours of overtime and earned 7.77 hours of compensatory time; however, the Committee was unable to provide any documentation to support supervisory approval of compensatory time earned in compliance with the Handbook, which states the following:

> *Non-exempt employees are prohibited from working more than forty (40) hours in any workweek without their supervisor's prior approval. Failure to abide by this policy may lead to disciplinary action, up to an including termination.*

(pg. 14)

- According to the Handbook, "Eligible employees may accrue a maximum of 150 comp time hours." (pg. 15) Nevertheless, three Committee employees exceeded that allowable amount during the period tested. One employee was paid for 317.16 hours of compensatory time when he moved from non-exempt to exempt status – totaling 167.16 hours, or $3,675, more than permitted. As of December 31, 2025, two other employees had compensatory leave balances that surpassed the 150-hour maximum by 32.08 hours and 30.78 hours each, or $846 and $601, respectively.

A proper system of internal control requires procedures to ensure the following: 1) compensatory time is earned and used in compliance with Committee policies; 2) adequate documentation is maintained to support the approval of all compensatory time earned and used; and 3) employees are compensated for all hours worked in compliance with the requirements of the Act.

Without such procedures, there is an increased risk of violating both the Committee's own policies and the requirements of the Act.

> We recommend the Committee implement procedures to ensure the following: 1) compensatory time is earned and used in compliance with Committee policies; 2) adequate documentation is maintained to support the approval of all compensatory time earned and used; and 3) employees are compensated for all hours worked in compliance with the requirements of the Act. Additionally, we recommend the Committee determine whether payment should be made for previously forfeited compensatory hours.

Committee Response: The Committee will review accrual of compensatory time, establish a process to document supervisory approval of use of earned time, and steps for compensating staff for unused hours.

5. Payroll Authorization and Other Calculation Errors

During payroll testing, we noted the following errors: 1) inadequate documentation to support approval of employee time sheets by a supervisor; 2) no documentation to support employee rates of pay; 3) no documentation to support approval of hire by the executive director; 4) no documentation to support employee hours worked for one employee tested; 5) exempt employees not reporting hours worked; 6) calculation errors for three paychecks tested, resulting in an underpayment of $69; and 7) no policy regarding employee time worked on a holiday.

Each of these items is detailed below:

- The Committee uses different employee timekeeping methods based upon each worker's position and location. Office staff use a punch card system to record hours, while all non-exempt field employees, such as brand inspectors, use an electronic application called Timekeeper. We noted the following issues with the Committee's process for approving employee time worked:

    - No documentation was available, such as a timecard signed and dated by a supervisor, to support approval of time worked by office staff.

    - The Timekeeper application used by some employees to track their hours did not provide a timestamp or user ID to signify supervisory approval; instead, the timecard was designated simply as "Approved." No documentation was available, therefore, either to support that the hours worked were approved before payroll processing or to verify that the hours were authorized by the employee's supervisor, as opposed to by another employee. Similar issues were noted in prior attestation reports issued in 2019 and 2016.

- Documentation could not be provided to support the pay rates for four of five full-time Committee employees tested. While originally hired between 2001 and 2025, all five of the employees had pay rate changes that occurred during calendar year 2025.

- Neb. Rev. Stat. § 54-192(2) (Reissue 2021) authorizes the Committee's executive director "to hire employees as are needed on an interim basis subject to approval or confirmation by the brand committee for regular employment." According to Committee representatives, the executive director does not approve the interim hires except in unusual circumstances; therefore, no documentation was on file to support the final approval of the executive director for the 10 interim hires made during the calendar year.

- Documentation, such as a time sheet, was not provided to support the hours worked by one Committee employee. Committee representatives explained that this worker qualified as an "exempt employee" under the Fair Labor Standards Act; however, he is entered into the State's human resources system as a "non-exempt" employee. The employee was paid $60,633 throughout calendar year 2025 for which there is no documentary support.

- The Committee's 13 overtime-exempt employees are required to record only leave used. Consequently, there was no documentation that all full-time employees rendered at least 40 hours of labor each week, as required by Neb. Rev. Stat. § 84-1001(1) (Reissue 2024), which states the following:

    All state officers and heads of departments and their deputies, assistants, and employees, except permanent part-time employees, temporary employees, and members of any board or commission not required to render full-time service, shall render not less than forty hours of labor each week except any week in which a paid holiday may occur.

5. Payroll Authorization and Other Calculation Errors (Concluded)

Additionally, the Committee's "Employee Policy Handbook" (Revised October 21, 2025) ("Handbook") provides the following:

> *Exempt employees are still expected to maintain a record or [sic] each day's activities and shall submit via email a written report with each days; [sic] activities to the Chief of Field Operations in the Alliance Office by the 10th day of the following month.*

(Pg. 15) No such report or daily activity log was provided, and Committee representatives explained that the practice had not been enforced since sometime in 2022.

- We noted the following calculation errors for three employee paychecks tested:
  - One employee's paycheck did not have correct Federal and State income taxes withheld due to inaccurate W-4 Form information being entered into the State's accounting system. Because of the error, Federal income taxes were overwithheld by $46, and State income taxes were overwithheld by $13, resulting in the employee being underpaid $59 for the paycheck tested.
  - As a result of Committee errors in the calculation of employee years of service, two monthly employee paychecks lacked the correct longevity pay – resulting in both employees receiving an underpayment of $5 on the paychecks tested. This issue was noted in prior attestation reports issued in 2019 and 2016.
- The Handbook contains no policy regarding compensation for hours worked on holidays. This issue was noted in the prior attestation report issued in 2019.

A proper system of internal control requires procedures to ensure adequate documentation of employee activity and time worked is maintained; and supervisory approval of time worked, leave used, and leave earned is on file, so that payroll expenditures and leave balances will be proper. Those same procedures should ensure also that adequate documentation of employee pay rates and the executive director's authorization of interim hires is maintained on file. Furthermore, accurate information should be used to calculate employee pay.

Without such procedures, there is increased risk of not only employees receiving improper compensation for time worked but also the Committee failing to adhere appropriately to its own formal policies.

> We recommend the Committee implement procedures to ensure the following: 1) supervisory approval of employee time sheets is documented before payroll processing; 2) employee pay rates, including approval of all raises, are properly documented; 3) documentation is maintained to support the executive director's approval of interim hires; 4) employee time sheets or other types of activity logs or reports are completed in compliance with State statute and Committee policy; 5) accurate information, including tax withholdings and dates of service, are used to calculate employee pay; and 6) the Committee's practices are consistent with its written policies.

Committee Response: Since its inception, the Committee has experienced issues with the Timekeeper application to the extent that the system was moved to a different vendor to address various functionality issues. Further, in 2026, Committee staff have participated in DAS working sessions on the WorkDay project to determine if it presents a solution to various issues, including several raised in this audit. The Committee will work to establish the practices suggested by APA staff and update procedure and policy manuals.

COMMENTS AND RECOMMENDATIONS
(Continued)

6. Terminated Employee Overpayments

We noted errors in the calculation of the final payroll for three terminated employees tested, including mistakes with the calculation of time worked, leave accrued and used, and the withholding of insurance premiums. Those errors resulted in the terminated employees tested being overpaid by a total of $1,077.

The errors were due partly to Committee staff being improperly trained on interim payroll processing. The Committee had been receiving help from the Department of Administrative Services (DAS); however, DAS stopped reviewing and correcting the Committee's interim payroll calculations, and Committee staff were unaware that they were not completing the interim payroll sheets correctly, causing overpayments of employee salaries and improper leave accruals.

The table below details the payroll calculation errors noted for the three terminated employees tested:

Employee	Description of Error	Over-(Under)payment
Employee #1	The employee terminated on October 21, 2025, having used sick leave for the entirety of the month, which equated to 120 hours; however, the Committee paid the employee for 152 hours, resulting in an overpayment of $873. The employee's leave balances were inaccurate at the time of termination due to the following:	$ 873
	• The Committee failed to calculate prorated vacation and sick leave earned for the days worked in October, resulting in the employee's leave balances being understated by 9.54 hours of vacation and 10.4 hours of sick leave. • The Committee failed to calculate actual sick leave used in October, resulting in the employee's sick leave balance being understated by 16 hours. • The Committee undercharged sick leave usage for August 2025. See Comment #7 ("Leave Errors") herein for details. The above errors resulted in an underpayment of vacation and sick leave payouts totaling $258.	$ (258)
Employee #2	The employee terminated on May 23, 2025, having worked 136 hours; however, the Committee paid the employee for 148.67 hours of work time, resulting in an overpayment of $255.	$ 255
Employee #3	The employee terminated on September 12, 2025; however, prior to termination, he elected and received health, dental, and vision insurance coverage for the month of September 2025. Employee insurance premiums were not withheld from his final paycheck, resulting in an overpayment of $207.	$ 207
	Total Overpayment	**$ 1,077**

Issues similar to those above were noted in the prior attestation report issued in 2019.

A proper system of internal control requires procedures to ensure that terminated employees' final paychecks are correct, including appropriate payouts for leave balances and hours worked, as well as proper premium withholdings for benefits received.

Without such procedures, there is an increased risk of terminated employees receiving incorrect final paychecks.

6. Terminated Employee Overpayments (Concluded)

> We recommend the Committee implement procedures to ensure that employees' final paychecks are correct, including appropriate payouts for leave balances and hours worked, as well as proper premium withholdings for benefits received. We recommend further the Committee review all employees terminated during the period tested to ensure that their payouts were proper – acting, as necessary, to recoup any overpayments noted or to pay out any remaining leave balances.

Committee Response: The Committee will establish an internal working group that will conduct a reconciliation process for all termination processing to ensure proper payments. Further, the Committee will implement improved procedures upon consultation with the APA and will explore reviewing past terminations to discover and address any errors.

7. Leave Errors

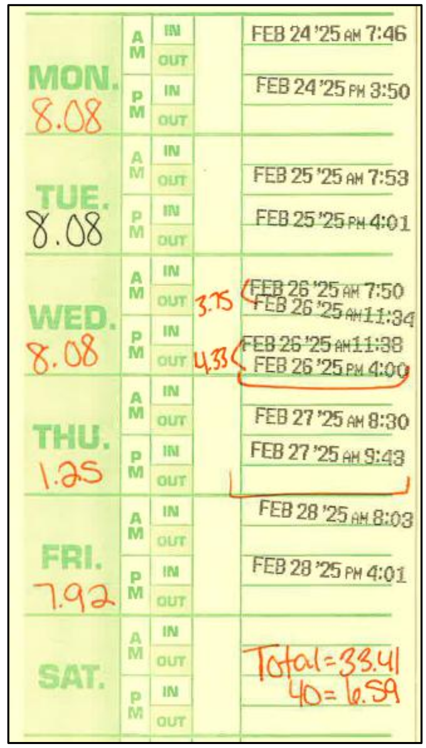
The Committee lacked adequate procedures for ensuring that documentation of supervisory pre-approval was on file to support leave used by employees utilizing the Timekeeper application. Moreover, the Committee allowed employees to use leave without pre-approval in violation of Committee policy. Lastly, 15 employee leave balances were incorrect due to the failure of the Committee to calculate payroll correctly and to rectify any resulting errors.

Details regarding these issues are provided below:

- Similar to the process noted in Comment #5 ("Payroll Authorization and Other Calculation Errors") herein, the Committee uses different timekeeping methods for employee leave approvals depending on each worker's position and location. Office staff use a shared calendar to document leave hours, while all full-time field employees, such as brand inspectors, use the Timekeeper application to submit their leave requests. We noted the following issues with the Committee's employee leave approval process:
    - For office staff, documentation was available to support supervisory pre-approval of leave requests only in very limited situations, such as long vacations. In fact, Committee representatives explained that office staff manage their leave on a "collaborative basis" and often "use leave time sporadically (a day or less), making preapproval difficult." Per a review of their time sheets, office employees appear to be allowed to work whatever hours they wish, and leave or compensatory time is then added to achieve a 40-hour work week. To illustrate, the two weekly punch cards shown below reflect 32.91 and 33.41 hours worked, respectively. The remaining time needed for a 40-hour workweek on both was recorded as vacation time.

COMMENTS AND RECOMMENDATIONS
(Continued)

7. **Leave Errors** (Continued)



- Employees utilizing the Timekeeper application to track their hours could enter leave regardless of pre-approval. As a result, no documentation was available either to support the pre-approval of leave requests before the leave was used or to verify that the leave was authorized by the employee's supervisor, as opposed to by another employee.

The Committee's "Employee Policy Handbook" (Revised October 21, 2025) ("Handbook") contains the following provisions:

> *Non-exempt employees shall record their time worked in the timekeeping system or process as designated by the Nebraska Brand Committee. Employees shall request exceptions to their regular schedules in the timekeeping system (e.g., vacation or sick leave).* (pg. 14)

> *Absences during working time are not paid unless covered by paid leave (vacation, sick, etc.) and approved by your supervisor.* (pg. 11)

> *Whenever possible, we ask that all requests to use vacation and changes to those requests be made as far in advance as is possible and not less than five (5) business days before the requested vacation is to commence. Shorter notice may allow [sic] in cases of extenuating circumstances, with notification to your supervisor as soon as practicable.* (pg. 42)

> *Employees desiring to use any accrued comp time must provide at least seven (7) days advance notice of such use. Untimely requests to use accrued comp time or requests that would unduly disrupt the Committee's operations may be denied by the Committee.* (pg. 15)

7. Leave Errors (Continued)

- On four paychecks reviewed, leave hours paid did not correspond with the actual leave hours used during the pay period. For salaried employees, each employee is paid a total of 173.33 hours per month; however, leave hours are manually adjusted by the Committee to ensure leave usage is accurately charged against leave earnings. The Committee failed to update the leave usage for salaried employees from the standard 173.33 hours and instead adjusted only holiday hours, resulting in employees' leave balances being overstated by 66.68 hours. The table below details the errors noted:

Employee	Leave Used	Actual Leave Used	Leave Charged to Balances	Over-(Under)stated Leave Balance
Employee #1*	7/28/2025 – 8/31/2025	200 hours	173.33 hours	26.67
Employee #2	5/26/2025 – 6/29/2025	184 hours	157.33 hours	26.67
	6/30/2025 – 7/27/2025	152 hours	165.33 hours	(13.33)
Employee #3	7/28/2025 – 8/31/2025	200 hours	173.33 hours	26.67
			Total	**66.68**

**This employee was terminated during the year. See Comment #6 ("Terminated Employee Overpayments") herein for the impact of this error on the employee's final paycheck.*

- One employee tested did not earn leave for two months, December 2024 and January 2025, despite being employed with the Committee during this time. The Committee caught the error and worked with the Department of Administrative Services to start the employee's leave earnings in February 2025; however, as of fieldwork in April 2026, no correction was made to adjust the leave balances for the missing two months, resulting in an understatement of the employee's sick and vacation leave balances by 16 hours each.

- Ten employees who terminated prior to October 2023 maintained negative sick, vacation, and compensatory leave balances, totaling -420.65, in the State's accounting system. No documentation was provided to support the negative balances noted, as detailed in the following table:

Leave Type	Number of Balances*	Negative Balance Maintained
Sick	3	(20.00)
Vacation	1	(221.91)
Compensatory	9	(178.74)
	Total	**(420.65)**

**Two employees have negative balances in multiple leave types.*

A similar issue was noted in the prior attestation report issued in 2019.

- One employee tested worked at several other State agencies from December 2012 through September 2018. This employee was then hired by the Committee in March 2019. Upon hire, however, the Committee failed to adjust the employee's service date in compliance with Neb. Rev. Stat. § 81-1322 (Reissue 2024) and Neb. Rev. Stat. § 81-1328(5) (Reissue 2024) – both of which contain similar language regarding prior sick leave and vacation leave earned, respectively.

  This error resulted in the employee earning an inappropriate amount of sick and vacation leave. Due to the failure to adjust the employee's service date, during calendar year 2025, the employee should have earned 45.99 more hours of both sick and vacation leave. Additionally, the employee's sick leave balance does not appear to have been reinstated, which is required by § 81-1322. At termination in September 2018, the employee had 188.06 hours of sick leave earned that was not reinstated.

7. Leave Errors (Concluded)

The Committee lacks a specific policy regarding adjusted service dates. Nevertheless, § 81-1322 provides the following for sick leave:

> *For the purpose of sections 81-1320 to 81-1326, any state employee whose employment has been terminated, for other than disciplinary reasons, and who returns to state employment within one year from the date of such termination shall have his or her service for sick leave entitlement computed by combining prior continuous service with current continuous service disregarding such period of absence <u>and shall have reinstated to his or her sick leave account all earned sick leave not used at the time of his or her departure</u>, except that any employee who has retired or voluntarily terminated in lieu of retirement shall, if he or she returns to state employment, be considered a new employee for the purpose of sick leave entitlement.*

(Emphasis added.) Similarly, § 81-1328(5) provides the following for vacation leave:

> *For purposes of this section, a state employee who has terminated employment with the state for any reason other than disciplinary and who returns to state employment within one year from the date of termination shall have his or her service for vacation leave entitlement computed by combining prior continuous service with current continuous service disregarding the period of absence, except that a state employee who has retired or voluntarily terminated in lieu of retirement shall, if he or she returns to state employment, be considered a new state employee for the purpose of vacation leave entitlement.*

A proper system of internal control requires procedures to ensure the following: 1) proper adherence to both State statute and the Committee's own policies, especially regarding the pre-approval of leave usage and the calculation of service dates; 2) accurate calculations of leave used for each paycheck; 3) appropriate adjustment of negative leave balances; and 4) proper application of leave earnings to employee balances and the timely correction of any related errors.

Without such procedures, there is an increased risk of not only employees not receiving the correct amount of leave but also failure to abide by the Committee's own policies and applicable State statutes.

> We recommend the Committee implement procedures to ensure the following: 1) a documented pre-approval of all leave used is completed in accordance with Committee policy; 2) leave used is calculated appropriately and credited against employee leave balances; 3) leave earned is calculated correctly, and any errors are remedied in a timely manner; 4) negative leave balances are reviewed, and corrections are made in a timely manner; and 5) rehired employees' leave calculations and balances are calculated in accordance with State statute.

Committee Response: As previously noted, the Committee is addressing issues with the Timekeeper system. The Committee will correct the issues noted and will partner with DAS to ensure proper service date calculation and record documentation of date from DAS. Additionally, the Committee will work to establish the practices suggested by APA staff and update procedure and policy manuals.

8. Intermittent Brand Inspector Benefits and Overtime

During calendar year 2025, the Committee paid 79 intermittent brand inspectors based on a "piece rate," which is the amount earned according to the number of cattle inspected, not by the hour – although certain start and stop times are recorded on the employee's expense reimbursement documents. Throughout the calendar year, these inspectors neither earned overtime compensation nor received health and retirement benefits through the Committee.

COMMENTS AND RECOMMENDATIONS
(Continued)

8. <u>Intermittent Brand Inspector Benefits and Overtime</u> (Continued)

Intermittent brand inspectors are paid $0.47 per head of cattle inspected, but they are to receive a minimum of 65 head ($30.55) and a maximum of 256 head ($120.32) per day. When working a sale barn, however, intermittent brand inspectors are paid 32 head ($15.04) per hour.

A review was completed to estimate the number of hours worked by the intermittent brand inspectors per pay period. Due to the different pay rates noted above, this review is necessarily inexact; however, it provides a sound approximation of their pay. During our review, we noted the following:

- Eleven employees appear to have worked over 40 hours in a week and, therefore, should have received overtime compensation.
- Fifteen employees appear to have worked one-half or more of the regularly scheduled hours and are potentially eligible for retirement benefits through the Committee.
- Thirteen employees appear to have worked more than 30 hours per week and are potentially eligible for health insurance benefits through the Committee.

Four of the above-referenced employees were selected for a more detailed review. Each employee's work hours were obtained from the Timekeeper application – which, as explained earlier herein (pg. 11), is used by non-exempt field employees, such as brand inspectors, to record time worked – and served as the basis for recalculating the number of hours worked each week.

As explained in greater detail below, all four employees appeared to be eligible to earn overtime compensation or to receive retirement and health insurance benefits through the Committee.

<u>*Overtime Earned*</u>
The Committee lacked adequate procedures for monitoring intermittent brand inspectors' work hours to determine when overtime compensation should be paid. Per our detailed review, three of the four employees tested had worked over 40 hours in a week and, therefore, were eligible to receive overtime pay. These employees worked 15.5 hours, 29 hours, and 302.83 hours of overtime during the calendar year but were not paid in accordance with 29 CFR § 778.111(a) (July 1, 2025), which states, in part, the following:

> *When an employee is employed on a piece-rate basis, the regular hourly rate of pay is computed by adding together total earnings for the workweek from piece rates and all other sources (such as production bonuses) and any sums paid for waiting time or other hours worked (except statutory exclusions). This sum is then divided by the number of hours worked in the week for which such compensation was paid, to yield the pieceworker's "regular rate" for that week. For overtime work the pieceworker is entitled to be paid, in addition to the total weekly earnings at this regular rate for all hours worked, a sum equivalent to one-half this regular rate of pay multiplied by the number of hours worked in excess of 40 in the week.*

<u>*Nebraska Public Employees Retirement*</u>
Intermittent brand inspectors were not offered the opportunity to participate in the State's retirement plan because the Committee classified them as "per diem" employees. However, State statute does not specifically exempt intermittent brand inspectors from participation in the retirement plan. Further, guidance received from the Nebraska Public Employees Retirement Systems (NPERS) clarified that "piece rate" employees are not "per diem" employees and could participate in the plan if they met other eligibility requirements, including number of hours worked.

Per our detailed review, all four employees tested had at least 10 bi-weekly pay periods during which they worked over 20 hours per week in the calendar year.

8. Intermittent Brand Inspector Benefits and Overtime (Continued)

Neb. Rev. Stat. § 84-1307 (Supp. 2025) states, in relevant part, the following:

> *(2) The following employees of the State of Nebraska are authorized to participate in the retirement system: (a) All permanent full-time employees who have attained the age of eighteen years shall begin participation in the retirement system upon employment; and (b) all permanent part-time employees who have attained the age of eighteen years may exercise the option to begin participation in the retirement system within the first thirty days of employment. An employee who exercises the option to begin participation in the retirement system pursuant to this section shall remain in the retirement system until his or her termination of employment or retirement, regardless of any change of status as a permanent or temporary employee.*
>
> * * * *
>
> *(7) State agencies shall ensure that employees authorized to participate in the retirement system pursuant to this section shall enroll and make required contributions to the retirement system immediately upon becoming an employee. Information necessary to determine membership in the retirement system shall be provided by the employer.*

The Nebraska State Employees Retirement System Handbook (Revised December 2025), provides that "[p]articipation is mandatory for **permanent, part-time employees** when, in a calendar year, an employee's hours exceed one half or more of the regularly scheduled hours in a pay period for at least: **6 bi-weekly** pay periods, **6 semi-monthly** pay periods, or **3 monthly** pay periods[.]"

Patient Protection and Affordable Care Act
The Committee lacked adequate procedures for monitoring the status of its intermittent brand inspectors to determine whether they should be receiving insurance coverage under the "employer mandate" of the Patient Protection and Affordable Care Act (Affordable Care Act) – Pub. L. No. 111-148, 124 Stat. 119 (2010). Depending on the average number of hours they work, certain intermittent brand inspectors could be designated as full-time employees under the Affordable Care Act. Per our detailed review, three of the four employees tested had worked an average of at least 30 hours of service per week.

Under 26 USC § 4980H(a) of the Internal Revenue Code, certain employers who do not offer their employees the appropriate insurance may be penalized with an "assessable payment," as follows:

> ***(a) Large employers not offering health coverage***
>
> *If-*
>
> *(1) any applicable large employer fails to offer to its full-time employees (and their dependents) the opportunity to enroll in minimum essential coverage under an eligible employer-sponsored plan (as defined in section 5000A(f)(2)) for any month, and*
>
> *(2) at least one full-time employee of the applicable large employer has been certified to the employer under section 1411 of the Patient Protection and Affordable Care Act as having enrolled for such month in a qualified health plan with respect to which an applicable premium tax credit or cost-sharing reduction is allowed or paid with respect to the employee, then there is hereby imposed on the employer an assessable payment equal to the product of the applicable payment amount and the number of individuals employed by the employer as full-time employees during such month.*

Per 26 USC § 4980H(c)(2)(a), "The term 'applicable large employer' means, with respect to a calendar year, an employer who employed an average of at least 50 full-time employees on business days during the preceding calendar year."

8. <u>Intermittent Brand Inspector Benefits and Overtime</u> (Concluded)

According to 26 USC § 4980H(c)(4)(a), "The term 'full-time employee' means, with respect to any month, an employee who is employed on average at least 30 hours of service per week."

A proper system of internal control requires procedures for determining the status of intermittent brand inspectors, including an analysis of their work hours, to ensure compliance with applicable Federal and State laws. Those procedures should facilitate the Committee's cooperation with NPERS and the Nebraska Attorney General, as necessary, in clarifying whether intermittent brand inspectors are entitled to earn overtime pay and to receive retirement and health benefits through the State.

Without such procedures, there is an increased risk for not only the loss of State funds by incurring penalties for noncompliance with Federal law but also the Committee's intermittent brand inspectors being improperly denied overtime compensation or participation in the State's retirement plan and insurance coverage.

A similar finding was noted in prior attestation reports issued in 2019 and 2016.

> We recommend the Committee implement procedures for determining the status of intermittent brand inspectors, including an analysis of their work hours, to ensure compliance with Federal and State laws alike. In addition, we recommend that such procedures provide for the Committee's collaboration with NPERS and the Nebraska Attorney General, as necessary, in clarifying whether intermittent brand inspectors are entitled to earn overtime pay and to receive retirement and health benefits.

Committee Response: The Committee will explore the issues related to benefits and overtime for intermittent brand inspectors and their pay model with supporting state agencies including DAS, NPERS, and the Nebraska Attorney General.

9. <u>Estray Case Errors</u>

The Committee lacked adequate controls over the handling of estray cases to ensure that, in accordance with Neb. Rev. Stat. § 54-415 (Reissue 2021), sale proceeds received were remitted timely to the Permanent School Fund or, for actual investigation and processing expenses deducted, deposited to the Inspection and Theft Prevention Fund. When "taken up within the brand inspection area or brand inspection service area," according to § 54-415, an estray is to be sold, and the sale proceeds must be turned over to the Committee to be held in the custodial Estray Fund until a claimant can provide proper documentation of ownership. If ownership is determined, the sale proceeds are to be paid to the owner, less actual expenses incurred by the Committee. However, if ownership cannot be determined within one year, the sale proceeds, less actual expenses incurred, are supposed to be remitted to the Permanent School Fund.

The Committee was unable to provide a complete and detailed listing of estray case monies, totaling $104,867, held in the Estray Fund as of December 31, 2025; instead, support could be provided for only $67,917 of the balance. Therefore, we conducted a review of the Estray Fund activity recorded in the State's accounting system in its entirety.

The errors noted during that examination are detailed in the table below:

COMMENTS AND RECOMMENDATIONS
(Continued)

9. Estray Case Errors (Continued)

Description	Included on Committee's Listing?	# of Cases	Amount	
Proceeds held, received between 2014 – 2024, are past due to the Permanent School Fund.	No	42	$ 33,552	*
Proceeds held, received between 2022 – 2024, are past due to the Permanent School Fund.	Yes	13	$ 22,963	
Excess payments were made to the Permanent School Fund from 2017 – 2019. Amounts are due back to the Estray Fund.	No	9	$ 10,400	*
Administrative expenditures were paid to the Inspection and Theft Prevention Fund twice or paid on cases in which no proceeds were received. Amounts are due back to the Estray Fund.	No	23	$ 4,198	*
Duplicate payments were both made to the Permanent School Fund and refunded to the livestock owners in 2017 and 2019. Amounts are due back to the Estray Fund.	No	2	$ 2,231	*
A portion of sale proceeds were paid out in 2017 and 2019; however, actual expenses incurred have not been paid to the Inspection and Theft Prevention Fund.	No	11	$ 1,322	*
A fund transfer was completed to the Permanent School Fund in 2019; however, documentation was not on file to support how the balance was calculated or which cases monies were transferred.	No	Unknown	$ 1,256	
The owner is entitled to the proceeds of the sale; however, actual expenses incurred have not been paid to the Inspection and Theft Prevention Fund, and the remaining proceeds are past due (over three years) for being remitted to the State Treasurer as abandoned property.	Yes	2	$ 1,141	
The sale proceeds amounts tracked on the Committee's listing were incorrect.	Yes	1	$ 223	
Payments made to the Permanent School Fund or the Inspection and Theft Prevention Fund exceeded the proceeds received on the case. Those excess amounts are due back to the Estray Fund.	No	10	$ 123	*
Sale proceeds paid to the owner exceeded the funds received. Those excess amounts are due back to the Estray Fund.	No	1	$ 86	*
	Totals	**114**	**$ 77,495**	

**The line contains cases noted as errors in the prior attestation report issued in 2019.*

It should be noted that the above errors resulted in a financial statement adjustment for the Estray Fund.

Additionally, the Committee completed a transfer in December 2025 to move funds from the Estray Fund to the Permanent School Fund. As part of this transfer, the Committee reimbursed the Inspection and Theft Prevention Fund for $5,173 of actual expenses incurred. This amount was determined to be incorrect, though, because the Committee used not only projected or potential costs instead of actual costs but also incorrect pay rates when calculating labor costs. These errors resulted in a in a total overpayment of $1,184 to the Inspection and Theft Prevention Fund.

The Committee effectively reimburses 25% of costs associated with each quarterly meeting from the estray cases; however, this percentage appears unreasonable because the estray cases account for, on average, only 1 of 17 topics addressed at each meeting. The Committee could not provide any support for the 25% reimbursement amount used in the calculation.

9. <u>Estray Case Errors</u> (Concluded)

Section 54-415 provides, as is relevant, the following:

> *If the animal is determined to be an estray by a representative of the Nebraska Brand Committee or the county sheriff, as the case may be, such animal shall, as promptly as may be practicable, be sold through the most convenient livestock auction market. The proceeds of such sale, after deducting the selling expenses, shall be paid over to the Nebraska Brand Committee to be placed in the estray fund identified in section 54-1,118, if such estray was taken up within the brand inspection area or brand inspection service area . . . . When the estray is taken up within the brand inspection area or brand inspection service area, such proceeds shall be impounded for one year, unless ownership is determined sooner by the Nebraska Brand Committee, and if ownership is not determined within such one-year period, the proceeds shall be paid into the permanent school fund, less the actual expenses incurred in the investigation and processing of the estray fund. Any amount deducted as actual expenses incurred shall be deposited in the Nebraska Brand Inspection and Theft Prevention Fund. . . . If the brand committee or the county board determines ownership of an estray sold in accordance with this section by means of evidence of ownership other than the owner's recorded Nebraska brand, an amount not to exceed the actual investigative costs or expenses may be deducted from the proceeds of the sale.*

Furthermore, property held by the Committee is subject to the Uniform Disposition of Unclaimed Property Act ("Act"), which is set out at Neb. Rev. Stat. §§ 69-1301 to 69-1329 (Reissue 2018, Cum. Supp. 2024, Supp. 2025) and defines property held for over three years as abandoned, requiring it to be remitted to the State Treasurer.

A proper system of internal controls requires procedures to ensure that estray case funds, including actual investigation and processing expenses incurred, are recorded accurately and disposed of in accordance with State statute.

Without such procedures, there is an increased risk of not only inaccurate estray case balances and payments but also noncompliance with State statute.

A similar finding was noted in the prior attestation report issued in 2019.

> We recommend the Committee implement procedures for maintaining a complete and detailed listing of all estray cases, encompassing the balance in the Estray Fund, to ensure that cases funds are handled in accordance with State statute. Furthermore, those procedures should ensure amounts, including actual investigation and processing expenses incurred, are calculated correctly. Finally, we recommend the Committee attempt to recoup any estray case overpayments.

Committee Response: The Committee will establish a Estray Review Work Group consisting of the Executive Director, Chief Investigator, and Business Manager to conduct quarterly reviews of all cases and documentation of associated expenses. Further, this group will create processes to document actual work time and expenses for each case, and will explore options for assessing the actual cost incurred for Committee time upon consultation with the APA.

10. <u>Travel Issues</u>

The Committee's travel expenditures for the calendar year 2025 totaled $748,162. Adequate documentation and review procedures were lacking, however, for ensuring that mileage reimbursements and purchasing card transactions were proper.

10. <u>Travel Issues</u> (Continued)

In particular, we noted the following:

- Purchases made by the criminal investigator area supervisors were not supported, and a documented business purpose could not be provided for them;
- Seventeen transactions tested contained travel expenditures in excess of the U.S. General Services Administration (GSA) rates;
- An itemized receipt was not on file for 10 travel-related transactions tested;
- Travel logs for employees were inadequate and contained unsupported mileage reimbursements; and
- Vehicles rented by the Committee were kept at an employee's home without approval.

Each of the above issues is detailed below.

<u>*Investigator Travel*</u>
Three criminal investigator area supervisors were authorized to have Committee purchasing cards; however, these employees are not required to maintain a travel log, time sheet, or any other documentation to support their travel-related activities or expenditures.

During the calendar year, the three criminal investigator area supervisors charged 79 transactions, totaling $11,136, on their purchasing cards for meals and lodging. In response to our inquiry, the Committee asked the employees to provide explanations for many of these transactions. The responses received stated that the transactions at issue pertained to "compliance check meetings," "investigator meetings," or various other meetings attended by the criminal investigator area supervisors.

In an August 2025 memo, the executive director classified these activities as "official functions" of the Committee, as follows:

> *Some staff, especially investigators, work predominately independently but at times come together for enforcement actions and others [sic] investigative purposes. During such events, lunch is a group activity as it is a chance to have an in-person meeting on relevant issues while the team is all in one location.*
>
> * * * *
>
> *NBC staff will use the ERD [Expense Reimbursement Document] to handle individual meal costs through the per diem for individual travel. However . . . committee meetings and meetings of staff during mealtimes are work time and considered "official functions" and/or "hearings" . . . .*

The authority to designate official functions of Committee staff lies with the executive director. Nevertheless, the "State Employee Expenses While Not in Travel Status" section (effective January 2021) in the Department of Administrative Service's (DAS) Accounting Manual states, "If meals are included in the payments by the agency, a list of State employees attending the conference, official function or hearing must be attached to the payment document." That same section of the manual provides further that the payment document for these purchases must "be signed or approved online by the agency director" unless preauthorized.

COMMENTS AND RECOMMENDATIONS
(Continued)

10. Travel Issues (Continued)

Though evidently intended to constitute a preauthorization, the above-referenced memo by the executive director appears to be a general, blanket consent – leaving doubt as to the extent of his awareness of each such "official function."

As noted above, the responses to our inquiries regarding the business purposes of the travel-related transactions tested were met with explanations that these purchases were for official functions. Due to the lack of documentation and the number of instances in which this explanation was provided, all three of the criminal investigator area supervisors appear to have been using the purchasing cards widely for this purpose.

We reviewed all charges by these employees and noted that meal expenses were being incurred, on average, every two weeks, with approximately one-third of those days also requiring at least one hotel room.

The following table details these transactions by month:

Month in 2025	# of Cards Used	Meal Transactions		Hotel Transactions	
		# of Days with Transactions	$ Amount of Transactions	# of Days with Transactions	$ Amount of Transactions
January	2	4	$ 228	2	$ 282
February	2	2	$ 187	1	$ 330
March	3	3	$ 226	3	$ 1,472
April	3	6	$ 434	3	$ 1,342
May	1	1	$ 53	-	$ -
June	1	6	$ 634	-	$ -
July	3	1	$ 46	3	$ 4,163
August	2	4	$ 181	-	$ -
September	3	4	$ 336	-	$ -
October	1	5	$ 652	-	$ -
November	1	-	$ -	1	$ 102
December	2	3	$ 468	-	$ -
	Totals	**39**	**$ 3,445**	**13**	**$ 7,691**

Note: The above data does not include any hotel purchases made through engine.com, which were paid separately. Additionally, four of the meal days shown above were also on the same day as a Committee Board meeting.

During review of the purchasing card usage, we tested 24 transactions, totaling $2,640, that lacked adequate documentation, as noted above, to support that the "official function" explanation provided was tenable.

Along with the three criminal investigator area supervisors, the Committee's business manager was entrusted with a purchasing card – which, like the others, was used to make travel-related purchases. During our review of transactions made with all four purchasing cards, we noted the following issues:

- For nine meal purchases tested, the Committee paid amounts that exceeded the Federal GSA per diem rates, resulting in $170 of excess costs. In addition, the "Meals" section (effective November 2023) of the DAS Accounting Manual sets per diem rates for meal expense reimbursements at 70% of the Federal GSA rates and 75% of the State per diem rate for one-day travel. Paying these expenses with a purchasing card for "official functions," rather than reimbursing them as a per diem, resulted in an additional total cost of $150.

COMMENTS AND RECOMMENDATIONS
(Continued)

10. Travel Issues (Continued)

The table below summarizes the excessive meal costs that resulted from the use of purchasing cards instead of reimbursements:

Transaction Date	Vendor	Location	Meal	Amount	GSA Rate*	Total in Excess of GSA	DAS Rate*	Additional Excess Over GSA
3/25/2025	Skyline Café	St. Paul, NE	Lunch	$ 44	$ 19	$ 25	$ 13	$ 6
4/9/2025	T. Walker's on Main Street	Gothenburg, NE	Lunch	$ 81	$ 76	$ 5	$ 53	$ 23
4/15/2025	Ed's Place	McCook, NE	Lunch	$ 43	$ 38	$ 5	$ 20	$ 18
6/3/2025	Ken & Dale's Restaurant	Alliance, NE	Lunch	$ 42	$ 38	$ 4	$ 27	$ 11
6/9/2025	The Alley Rose	Kearney, NE	Dinner	$ 167	$ 84	$ 83	$ 59	$ 25
6/10/2025	Cunningham's Journal	Kearney, NE	Lunch	$ 107	$ 95	$ 12	$ 67	$ 28
6/11/2025	Red Lobster	Kearney, NE	Dinner	$ 66	$ 56	$ 10	$ 39	$ 17
6/12/2025	Cunningham's Journal	Kearney, NE	Lunch	$ 40	$ 38	$ 2	$ 27	$ 11
9/11/2025	Mi Ranchito Restaurant	Alliance, NE	Lunch	$ 62	$ 38	$ 24	$ 27	$ 11
			Totals	**$ 652**	**$ 482**	**$ 170**	**$ 332**	**$ 150**

**The Committee reported multiple people at each of these meals. The applicable GSA and DAS rates were multiplied by the number of employees attending the meal. In order to attempt to calculate the most accurate amounts, transactions that were recorded as one-day travel in the State's accounting system were calculated at the prorated amount. Due to the lack of information regarding employee travel, details for the first and last days of travel were not readily available and could cause the amounts noted in the DAS per diem rate to differ.*

Of particular note in the above table is the Alley Rose dinner purchase on June 9, 2025, which exceeded the GSA rate by $83. The dinner consisted of two 16-18 ounce prime rib dinners, a burnt ends appetizer, an onion ring appetizer, and an iced tea. The following is an image of the receipt for that meal:


The Alley Rose

Kearney, NE

Server: Jennifer V
Table 8?9
Check #92
Seats 1, 2, 3
Ordered: 9/25 6:47 PM

Iced Tea	$2.25
Burnt Ends App TH	$15.00
Onion Rings	$12.00
2 16-18 oz Prime Rib DA CJ	$96.00
Subtotal	$126.25
State & Local Tax	$8.84
Total	$136.35

3% Admin Fee will be added to [illegible] with cards

[illegible] you for dining with us
We look forward to seeing you [illegible]

COMMENTS AND RECOMMENDATIONS
(Continued)

10. **Travel Issues** (Continued)

Another item of note is the transaction that occurred on June 12, 2025, at Cunningham's Journal. The explanation given for this transaction was that the employees were speakers at the Nebraska Cattlemen Midyear Meeting in Kearney, Nebraska. A review of the agenda for the meeting revealed, however, that a lunch had been provided on June 12. Committee representatives explained that presenters could not participate in that meal. According to a Nebraska Cattlemen official, though, the Committee employees presented from 10:00 a.m. through 11:45 a.m. and were invited to have lunch. The official pointed out also that the lunch was served through 1:00 p.m. The Cunningham's Journal meal was ordered at 12:56 p.m., which would have been within the time frame that lunch was served at the meeting, as highlighted in the receipt image below:


CUNNINGHAM'S JOURNAL
· TAP AND KITCHEN ·

Cunningham's Journal on the Lake
610 Talmage St Suite A
Kearney, NE 68845

Server: Antonio A
Check #75 Table 127
Ordered: 6/12/25 12:56 PM

"The Works" Nachos	DA	$14.00
Journal Bites	TH	$14.00
Dr Pepper		$3.00
Subtotal		[illegible]
State [illegible]		$1.70
City Tax		[illegible]
Occupation Tax		[illegible]
GBOT Tax		[illegible]
Tip		$6.20
Total		$39.98

- The Committee paid lodging costs that exceeded the GSA per diem rates. For eight transactions tested, the Committee incurred $936 in such excess lodging costs. The table below summarizes those excessive expenditures:

Transaction Date	Vendor	Location	Room Rate	GSA Rate	Total in Excess of GSA
3/25/2025	Holiday Inn Express and Suites	Grand Island, NE	$ 216	$ 110	$ 106
3/25/2025	Holiday Inn Express and Suites	Grand Island, NE	$ 216	$ 110	$ 106
4/3/2025	The Kindler Hotel	Lincoln, NE	$ 166	$ 110	$ 56
4/3/2025	The Kindler Hotel	Lincoln, NE	$ 166	$ 110	$ 56
4/10/2025	Holiday Inn Express and Suites	Grand Island, NE	$ 296	$ 110	$ 186
4/10/2025	Holiday Inn Express and Suites	Grand Island, NE	$ 296	$ 110	$ 186
4/10/2025	Holiday Inn Express and Suites	Grand Island, NE	$ 296	$ 110	$ 186
4/16/2025	Holiday Inn Express and Suites	Lincoln, NE	$ 164	$ 110	$ 54
		Totals	**$ 1,816**	**$ 880**	**$ 936**

Note: The above amounts do not include taxes or fees.

COMMENTS AND RECOMMENDATIONS
(Continued)

10. **Travel Issues** (Continued)

- The Committee was unable to provide itemized receipts to support any of the following purchasing card transactions:

Transaction Date	Payee	Location	Amount
3/25/2025	Skyline Café	St. Paul, NE	$ 44
3/25/2025	Holiday Inn Express and Suites	Grand Island, NE	$ 216
3/25/2025	Holiday Inn Express and Suites	Grand Island, NE	$ 216
6/3/2025	Ken & Dale's Restaurant	Alliance, NE	$ 42
6/12/2025	Chances R Restaurant	York, NE	$ 103
6/19/2025	Kyoto Steak House	Alliance, NE	$ 48
9/9/2025	Subway*	Alliance, NE	$ 102
9/17/2025	Fiesta Brava Restaurant	Broken Bow, NE	$ 36
10/28/2025	Capones	North Platte, NE	$ 66
		Total	**$ 873**

**An affidavit for lost receipts was provided for this transaction; however, it was not signed until March 2026, over six months after the transaction occurred. While such an affidavit is allowable per DAS policy, purchasing card transactions are statutorily required to be accompanied by an itemized receipt.*

Neb. Rev. Stat. § 81-118.02(4) (Reissue 2024) states, in relevant part, the following:

> *An itemized receipt for purposes of tracking expenditures shall accompany all state purchasing card purchases. In the event that an itemized receipt does not accompany such a purchase, the Department of Administrative Services shall have the authority to temporarily or permanently suspend state purchasing card purchases in accordance with rules and regulations adopted and promulgated by the department.*

- As shown in the above table, food was purchased at a Subway restaurant on September 9, 2025, for lunch provided to attendees at a Committee Board meeting. The purchasing card was used also to pay for the meals of three other Committee employees at Ken & Dale's Restaurant, totaling $51, on the same day. Committee representatives explained that the recipients of those additional meals were also meeting attendees. The "Affidavit for Lost Receipts" provided for the Subway expenditure contained a list of specific individuals for whom the meal purchase was made, which did not include the other three employees. Because the affidavit was completed over six months after the transaction occurred, however, its accuracy is questionable.

- Four criminal investigator area supervisors, including the three with access to purchasing cards, have been authorized also to use a Voyager fuel card to make purchases for their assigned Committee vehicles. We reviewed one expenditure, totaling $6,150, for fuel purchased in March and April 2025. Within that payment, we noted 20 transactions that occurred on the same day as another Voyager transaction, which were then reviewed in further detail.
  - Of those 20 transactions, we noted 10, totaling $578, for which no documentation was available to support the business purpose of the expenditure. As noted previously herein (pg. 23), the criminal investigator area supervisors are not required to maintain documentation of their travel; therefore, similar concerns would likely arise regarding other Voyager fuel card purchases by these individuals.
  - One transaction, totaling $59, had no itemized receipt on file to support the expenditure.

COMMENTS AND RECOMMENDATIONS
(Continued)

10. <u>Travel Issues</u> (Continued)

A proper system of internal control requires procedures for properly monitoring, documenting, and administering employee travel. Those procedures should ensure the following: 1) all travel is documented appropriately to ensure that purchases are reasonable, proper, and for authorized business purposes; 2) all amounts paid are reasonable based on the Federal GSA per diem rates; and 3) itemized receipts are on file to support all purchasing card transactions. Lastly, a formal review should be completed regarding the propriety of employees not only attending frequent internal meetings – with, as noted already, meal expenses being incurred, on average, every two weeks and approximately one-third of those days also requiring at least one hotel room – but also using purchasing cards rather than being reimbursed at the State per diem rates.

<u>Brand Inspector Mileage Reimbursement Forms</u>
The Committee's review of mileage reimbursements for its brand inspectors was inadequate. The mileage reimbursement forms are completed based primarily on information entered into the Committee's timekeeping application, Timekeeper. Due to this, we noted that the reimbursement forms were completed inaccurately.

We selected five reimbursement documents for testing and noted the following issues:

- None of the five reimbursement documents tested contained any of these particulars: 1) written supervisory approval; 2) specific addresses for locations visited; and 3) accurate start and stop times – reflecting instead only hours worked, not actual travel times.

- Each of the five reimbursement documents tested contained an employee signature date prior to the reported date of travel. In three instances, the signature dates preceded the dates of travel by more than four years. The table below details the dates provided on the expenditure documents:

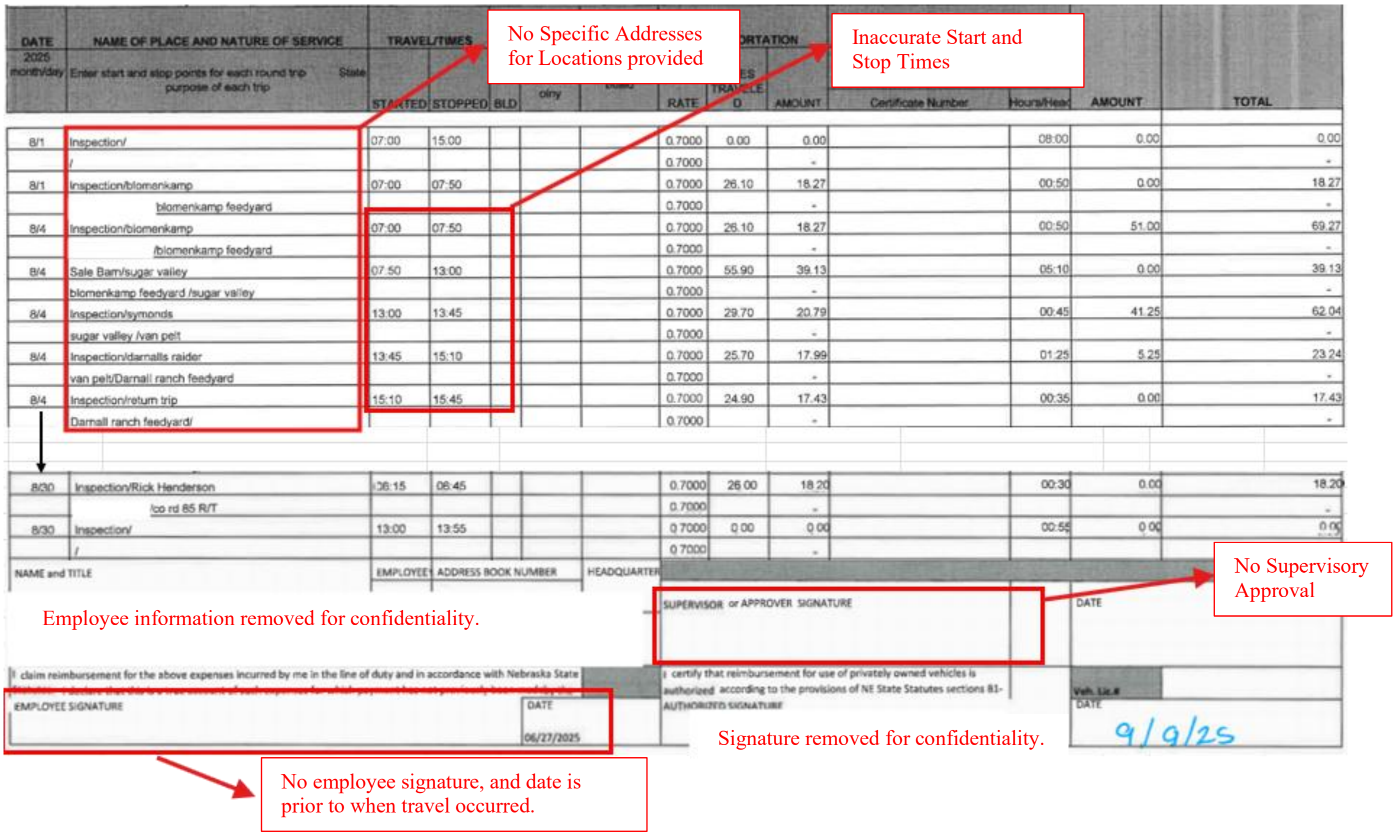
Employee	Dates of Travel	Date of Approval
Employee #1	August 2025	6/27/2025
Employee #2	September 2025	1/23/2020
Employee #3	October 2025	8/28/2025
Employee #4	October 2025	8/18/2021
Employee #5	November 2025	1/23/2020

- One of five reimbursement documents tested was not signed by the employee.

Copied below is an example of a reimbursement document for one inspector tested:

COMMENTS AND RECOMMENDATIONS
(Continued)

10. Travel Issues (Continued)



DATE 2025 month/day	NAME OF PLACE AND NATURE OF SERVICE Enter start and stop points for each round trip purpose of each trip	STARTED	STOPPED	RATE	MILES TRAVELED	AMOUNT	Certificate Number	Hours/Head	AMOUNT	TOTAL
8/1	Inspection/	07:00	15:00	0.7000	0.00	0.00		08:00	0.00	0.00
	/			0.7000		-				-
8/1	Inspection/blomenkamp	07:00	07:50	0.7000	26.10	18.27		00:50	0.00	18.27
	blomenkamp feedyard			0.7000		-				-
8/4	Inspection/blomenkamp	07:00	07:50	0.7000	26.10	18.27		00:50	51.00	69.27
	/blomenkamp feedyard			0.7000		-				-
8/4	Sale Barn/sugar valley	07:50	13:00	0.7000	55.90	39.13		05:10	0.00	39.13
	blomenkamp feedyard /sugar valley			0.7000		-				-
8/4	Inspection/symonds	13:00	13:45	0.7000	29.70	20.79		00:45	41.25	62.04
	sugar valley /van pelt			0.7000		-				-
8/4	Inspection/darnalls raider	13:45	15:10	0.7000	25.70	17.99		01:25	5.25	23.24
	van pelt/Darnall ranch feedyard			0.7000		-				-
8/4	Inspection/return trip	15:10	15:45	0.7000	24.90	17.43		00:35	0.00	17.43
	Darnall ranch feedyard/			0.7000		-				-
8/30	Inspection/Rick Henderson	08:15	08:45	0.7000	26.00	18.20		00:30	0.00	18.20
	/co rd 85 R/T			0.7000		-				-
8/30	Inspection/	13:00	13:55	0.7000	0.00	0.00		00:55	0.00	0.00
	/			0.7000		-				

From each of the reimbursement documents noted above, we selected five days of travel for additional testing. For 12 trips tested, we were unable to determine whether the mileage was reasonable, based on the most direct route of travel, using Google Maps, as summarized below:

Employee	# of Trips	Miles Reported	Recalculation of Miles	Variance	GSA Rate	Total
Employee #1	1	25	14	11	0.70	$ 7.70
Employee #2	7	276	174	102	0.70	$ 71.40
Employee #3	4	96	60	36	0.70	$ 25.20
Totals	**12**			**149**		**$ 104.30**

Neb. Rev. Stat. § 81-1174(3) (Reissue 2024), states, in relevant part, the following:

> *When reimbursement is requested for mileage by automobile . . . the points between which such travel occurred, the times of arrival and departure, and the necessity and purpose of such travel shall be stated on such request.*

Other Travel Issues

The travel log for the Committee's permanently assigned vehicle from the Transportation Services Bureau (TSB) of DAS specified neither the necessity nor the purpose of any travel taken with the automobile.

10. <u>Travel Issues</u> (Continued)

Neb. Rev. Stat. § 81-1025 (Reissue 2024) states the following, as is relevant:

> *(1) <u>Each operator of a bureau fleet vehicle shall report</u> the points between which the bureau fleet vehicle traveled each time used, the odometer readings at such points, the time of arrival and departure, <u>the necessity and purpose for such travel</u>, the license number of such vehicle, and the department to which such vehicle is assigned.*
>
> * * * *
>
> *(2)(b) <u>State agencies leasing or renting bureau fleet vehicles from the bureau</u> pursuant to sections 81-1008.01 and 81-1010 <u>shall be required to report bureau fleet vehicle usage pursuant to subsection (1) of this section</u> on travel forms prescribed by the chief of the transportation services bureau.*

(Emphasis added.) For two trips tested in which he rented a TSB vehicle, the executive director took a State-owned vehicle home overnight without obtaining the prior approval of the TSB Administrator or Director of Administrative Services, as required by TSB policy and Executive Order 99-01.

Section 2: General Information, 5. Taking a State Vehicle Home, of the Transportation Services Bureau's "Policies and Procedures" contains the following information:

> *The Director of Administrative Services prior written approval is required for those circumstances applicable to Executive Order 99-01, Item #3, Sub-items A and E. The TSB Administrator's prior written approval is required for all circumstances detailed in §81-1020 and Executive Order 99-01, Item #3, Sub-items A through E. Circumstances other than those previously stated will require the employee's name, title, and home address, and the license number of the vehicle furnished to and approved by the Director of Administrative Services before the employee can retain control of a vehicle during nonworking hours. The agency shall submit a list of all employees assigned TSB fleet vehicles that fit these requirements and turn it in as requested by TSB.*

Executive Order 99-01 (04/19/99) states, in part, the following:

> *3. No employee will be allowed to drive a state-owned vehicle home except for the reasons set forth below:*
>
> * * * *
>
> *(b) The agency head approves a vehicle going home for one night, for a specific, scheduled event, e.g., traveling to an out-of-town conference. Agencies are required to report these trips to the Accounting Division of the Department of Administrative Services for submission to the Internal Revenue Service.*

A proper system of internal control requires procedures for properly monitoring, documenting, and administering employee travel. Those procedures should ensure that expense reimbursement documents are: 1) signed by a supervisor with adequate knowledge of the travel being reimbursed; 2) adequately reviewed to confirm that only proper costs are reimbursed; 3) properly completed with detailed points of destination and accurate start and stop times to allow for verification of the mileage claimed; and 4) appropriately verified by an employee, including containing the employee's signature and accurate date of verification. Additionally, such procedures should ensure that documentation is on file to support both the necessity and purpose of travel for all permanently assigned vehicles and the Transportation Services Bureau's prior approval to take a State-owned vehicle home overnight.

Without such procedures, there is an increased risk for the loss or misuse of State funds.

A similar finding was noted in the prior attestation report issued in 2019.

10. Travel Issues (Concluded)

We recommend the Committee implement procedures for adequately monitoring, documenting, and administering employee travel, including ensuring: 1) all purchasing card transactions are reasonable, proper, and for an authorized business purpose; 2) all expenditures are reasonable and based on Federal GSA per diem rates; 3) itemized receipts are on file; and 4) a formal determination is made regarding use of purchasing cards versus reimbursement of expenses at State per diem rates. Additionally, such procedures should ensure expense reimbursement documents are properly signed, dated, and approved by authorized personnel, contain accurate destination points and times of travel, and are reviewed to confirm the reasonableness of mileage. Lastly, the procedures should also ensure the usage of State-owned vehicles is appropriate and adequately documented.

Committee Response: The nature of Committee operations, the distances covered, and the separation of staff present challenges for agency operations. That said, the Committee understands the analysis provided by the APA. The use of p-cards for any meals will be prohibited except for those occurring during a Committee meeting and for such instances, documentation will be maintained detailing the names of all persons participating in the meal and their signature on the documentation and/or receipt. The policy on itemized receipts will be reinforced and personnel action will be taken for any variances. Further, the Committee shall use the state-approved hotel booking engine for all non-emergent accommodations. The Committee will explore the feasibility of creating a supervisor mileage approval functionality within the Timekeeper system. Additionally, the Committee addressed use of the TSB approved trip log for the leased vehicle when the issue arose during the fieldwork for this audit and the approved TSB log was used during the last few months the Committee had the vehicle before being returned to TSB and the lease cancelled.

11. Other Expenditure Issues

The Committee lacked adequate documentation and review procedures to ensure that expenditures were appropriately supported, calculated, and for a reasonable business purpose. The Committee also failed to ensure that purchases were properly exempted from sales and use taxes and lodging taxes.

The errors noted during testing are addressed in greater detail below:

- The Committee entered into an agreement for the rental of office space in Lexington, Nebraska. During testing, it was noted that the agreement on file had expired in November 2020. Since then, the Committee has been paying month-to-month rent, totaling $510 per month, for this space because, according to Committee representatives, uncertainty has existed for the past 5.5 years regarding a continued need for this office.

- In December 2025, the Committee purchased 100 software licenses for controlling and managing tablets used by brand inspectors; however, per an internal inventory listing, the Committee had assigned only 68 of the tablets, resulting in an overpayment of $1,536 for the unused 32 licenses.

- For 37 transactions tested, the Committee improperly paid both sales taxes and lodging taxes, totaling $918, as detailed in the following table:

11. <u>Other Expenditure Issues</u> (Concluded)

Vendor Type	# of Transactions	Tax Paid
Amazon	25	$ 542
Hotels	7	$ 227
Other Vendors	5	$ 149
Totals	**37**	**$ 918**

- The Committee had an agreement with outside counsel to provide legal services at a rate of $200 per hour; however, the Committee was charged an hourly rate of $250, resulting in an overpayment of $400 for the transaction tested. Committee representatives explained that, per the terms of the agreement, the fee may be changed from time to time; however, no documentation of the change in rate was provided.

- In April 2025, the Committee purchased flowers for a former employee's funeral, totaling $64. Such purchases are not for a valid public purpose, and, absent specific statutory authority, they do not constitute allowable uses of public funds.

- The Committee lacked formal procedures for calculating refunds consistently when permits were cancelled during the year or overpayments were received. We noted that two permits tested contained overpayments, totaling $6, that were kept by the Committee instead of refunded to the payee. A similar finding was noted in the prior attestation report issued in 2019.

Neb. Rev. Stat. § 77-2704.15(1)(a) (Cum. Supp. 2024) states, in part, "Sales and use taxes shall not be imposed on the gross receipts from the sale, lease, or rental of and the storage, use, or other consumption in this state of purchases by the state . . . ."

A proper system of internal control requires procedures to ensure that documentation is maintained to support expenditures of the Committee. Such system of internal control should ensure also that expenditures are reasonable, necessary, and properly exempted from both sales and use taxes and lodging taxes. Additionally, all refunds issued by the Committee should be calculated consistently and remitted appropriately.

Without such procedures, there is an increased risk for the loss or misuse of State funds.

> We recommend the Committee implement procedures to ensure: 1) expenditures are supported by appropriate documentation; 2) expenditures are reasonable, necessary, and properly exempted from both sales and use taxes and lodging taxes; and 3) refunds are calculated consistently and remitted appropriately.

Committee Response: The Committee is working with DAS Building Division to secure an updated lease for the Lexington office. Additionally, the Committee will work with the APA and DAS on how to avoid lodging and other taxes when traveling out of state. Further, the Committee will explore recovering the paid taxes, execute a new fee agreement with external legal counsel, and establish a refund panel consisting of the Business Manager, Chief of Field Operations, and Executive Director to review and approve refunds.

12. <u>Capital Asset Issues</u>

We noted a lack of segregation of duties over the processing of capital assets in the State's accounting system. One employee was able to add assets to the inventory records, surplus and dispose of assets, and complete annual inventory processes. Additionally, no documented secondary review of capital asset reports was performed by someone without capital asset access to ensure that any additions or retirements were appropriate and recorded accurately.

12. Capital Asset Issues (Continued)

As of December 31, 2025, the Committee had assets with a total value of $411,879. Due to depreciation, however, the current combined book value of the assets was only $81,705.

While testing capital assets, we noted the following:

- The land in Alliance, Nebraska, upon which the Committee's main office is located was valued at $1. Governmental Accounting Standards Board Statement No. 34 requires the following, however:

  Capital assets should be reported at historical cost. . . . Donated capital assets should be reported at their estimated fair value at the time of acquisition . . . .

- Additionally, a second land asset, valued at $5,000, was recorded previously in the State's accounting system for the same land in Alliance, Nebraska. This asset was disposed of in February 2026, leaving only the $1 valuation of land on the Committee's fixed asset listing – which, as previously noted, appears to contain the incorrect asset cost.

- During testing of 10 assets from the Committee's capital asset records, we noted the following:

  - Five assets, with a total value of $2,318, were not properly tagged as "Property of the State of Nebraska," as required by Neb. Rev. Stat. § 81-157(3) (Reissue 2024), which says the following:

    Each such executive, department, commission, or other state agency shall indelibly tag, mark, or stamp all such property belonging to the State of Nebraska, with the following: Property of the State of Nebraska. In the inventory required by subsection (1) of this section, each such executive, department, commission, or other state agency shall state positively that each item of such property has been so tagged, marked, or stamped.

  - Two computers, with a combined value of $5,157, could not be located. Committee representatives explained that both computers were surplused previously, and there had been problems with staff taking such action without notifying the office to complete the necessary paperwork. Both computers remained on the Committee's inventory listing at the time of fieldwork in April 2026.

- Due to the surplus issue noted above, we reviewed three vehicles, with a combined value of $82,049, that were removed off the Committee's asset listing in February 2026. We noted that all three automobiles were actually disposed of in July 2023, over 2.5 years prior to being removed from the asset listing. This error resulted in an adjustment to Footnote #5, "Capital Assets," in the notes to the financial statements.

- While the Department of Administrative Services requires only equipment valued at $5,000 or more to be added to the State's accounting system, the Committee has its own process for monitoring and tracking other assets of value, including computers and printers; however, this internal tracking is completed only for assets maintained at the Alliance, NE, headquarters. Field employees, such as brand inspectors and investigators, have been assigned equipment that is not tracked on an inventory listing. During the calendar year, we noted that one computer, totaling $318, and six mobile printers, totaling $1,538, were purchased and provided to field employees; however, these assets were not added to the Committee's internal inventory tracking spreadsheet.

- The Committee failed to attach costs, totaling $5,795, for one asset tested, resulting in the expense being reported on the financial statements as an operating expense rather than a capital outlay.

12. Capital Asset Issues (Concluded)

- The capital asset integrity reports, including unposted assets, assets with no costs assigned, and passed transactions, were not reviewed.

- Two Committee employees were given capital asset access in the State's accounting system; however, neither of those workers appears to have any responsibilities relating to capital assets.

A proper system of internal control requires procedures for ensuring an adequate segregation of duties, so no one person is able both to perpetrate and to conceal errors or irregularities. Additionally, those procedures should ensure: 1) capital asset reports are reviewed, and such review is documented; 2) all assets are in the custody of the Committee or are disposed of in a timely manner; 3) capital assets are properly recorded and tagged; 4) all assets of value are tracked either through the State's accounting system or through an internal tracking system; and 5) access to capital assets in the State's accounting system is limited.

Without such proper procedures, there is an increased risk for not only the loss, misuse, or theft of State property but also statutory noncompliance.

Similar issues were noted in prior attestation reports issued in 2019 and 2016.

> We recommend the Committee implement procedures for an adequate segregation of duties, so no one person is able to perpetrate and to conceal errors and irregularities. This would include a documented secondary review of capital asset reports by someone without accounting system access to maintain capital assets. Additionally, such procedures should ensure: 1) integrity reports are reviewed, and such review is documented; 2) all capital assets are accounted for or disposed of in a timely manner; 3) assets are properly valued in the accounting system and tagged in accordance with State statute; 4) assets of value are monitored and tracked appropriately to prevent theft or misuse; and 5) accounting system access is reviewed to ensure that it is limited appropriately.

Committee Response: In 2026, the Committee has received excellent support from DAS Materiel Division and has been actively addressing capital asset issues. The Committee plans to conduct a full agency inventory of all assets to establish a new baseline for the processes suggested by the APA. A secondary review of capital asset reports will be conducted by the Executive Director and Chief Investigator, along with establishing a yearly review of all capital assets by the Executive Director, Business Manager, Tech Manager, and Chief Investigator. Staff will also conduct a yearly audit of newly acquired assets to determine if they are appropriately tagged. The Executive Director and Business Manager will review state accounting system access and make sure it is limited appropriately per APA direction.

13. Fees Charged Not Compliant with State Statute

We noted that two fees collected by the Committee for mileage and expired brand applications were not in compliance with State statute, as explained below:

- The Committee imposed a flat surcharge of $20 per stop when performing inspections; however, Neb. Rev. Stat. § 54-1,108(1)(d) (Reissue 2021) provides for "actual mileage incurred" to be paid "at the rate established by the Department of Administrative Services." The Committee stopped charging a surcharge and began charging for actual mileage in January 2026; however, all surcharges collected during the calendar year tested, totaling $255,551, conflicted with § 54-1,108(1)(d). In 2026, the Nebraska Legislature passed legislative bill (LB) 1187, which authorized the Committee to impose a flat surcharge instead of charging for mileage. That new legislation becomes operative on July 18, 2026.

13. Fees Charged Not Compliant with State Statute (Concluded)

- Neb. Rev. Stat. § 54-1,102(4) (Reissue 2021) permits an expired brand to be reinstated by the owner within one year with the payment of an amount equal to "the recording fee and research fee for such brand established by the brand committee under section 54-199 plus a penalty of five dollars for each month or part of a month which has passed since the date of expiration." The Committee set the fee for new brand applications under Neb. Rev. Stat. § 54-199 (Reissue 2021) at $100 for the recording fee and $50 for the research fee.

  The Committee charged two different rates for the expired brands throughout the calendar year, neither of which agreed to the rates set for new brand applications pursuant to § 54-199. The Committee charged only $50 plus $5 per month since expiration from January 2025 through September 2025, and only $100 plus $5 per month since expiration beginning in October 2025. Failure to charge the full rate ($100 for the recording fee and $50 for the research fee) established by the Committee under § 54-199 resulted in the loss of $70,000 in revenue for the calendar year. In 2026, the Nebraska Legislature passed legislative bill (LB) 1187, which changed the fee for expired brands. That new legislation becomes operative on July 18, 2026.

A proper system of internal control requires procedures to ensure that all fees charged by the Committee are in accordance with State statute.

Without such procedures, there is an increased risk for not only improper fee collections – including the possibility of a resulting loss of revenue – but also statutory noncompliance.

> We recommend the Committee implement procedures for reviewing all fees charged to ensure compliance with State statute.

Committee Response: The surcharge issue has been previously addressed by Committee leadership and will be reinstated under new legislation effective July 18, 2026. As for the reinstatement fee, it was being undercharged and upon discovery of this fact was changed to the higher $100 rate. While statute authorizes the assessment of a $50 research fee, staff felt this was inappropriate and unfair as no research is done in support of a reinstatement of an expired brand so it was not charged. As noted, new legislation effective July 18, 2026, has addressed this issue.

14. Statement of Financial Interests Filing

Neb. Rev. Stat. § 49-1493(7) (Reissue 2021) requires the following individuals to file a statement of financial interest with the Nebraska Accountability and Disclosure Commission (NADC):

> *A member of any board or commission of the state or any county which examines or licenses a business or which determines rates for or otherwise regulates a business[.]*

That same statute requires the filings to be made "for the preceding calendar year on or before March 1 of each year in which such individual holds such position."

Title 4 Nebraska Administrative Code (NAC) § 2-002 expands upon the language in § 49-1493(7), specifying that members of the Committee are among those who must file a statement of financial interest with the NADC.

Upon review of the NADC filings, one Committee member did not file the mandatory statement of financial interest for calendar year 2025 until after inquiry during this attestation.

COMMENTS AND RECOMMENDATIONS
(Concluded)

14. <u>Statement of Financial Interests Filing</u> (Concluded)

A proper system of internal control requires procedures to ensure that each Committee member files the requisite statement of financial interest with the NADC.

Without such procedures, there is an increased risk for not only an actual or perceived lack of transparency and accountability but also violation of the law.

A similar finding was noted in prior attestation reports issued in 2019 and 2016.

> We recommend the Committee implement procedures to ensure that each of its members files a statement of financial interest with the NADC, as required by law.

Committee Response: Committee staff already take steps to remind committee members and covered staff members to complete the required disclosures.

NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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NEBRASKA BRAND COMMITTEE

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Brand Committee
Lincoln, Nebraska

We have examined the accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balances of the Nebraska Brand Committee (Committee) for the period January 1, 2025, through December 31, 2025. The Committee's management is responsible for the Schedule of Revenues, Expenditures, and Changes in Fund Balances 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 Balances 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 Balances 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 Balances. 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 Balances, 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, the Schedule of Revenues, Expenditures, and Changes in Fund Balances for the period January 1, 2025, through December 31, 2025, is based on the accounting system and procedures prescribed by the State of Nebraska's 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; noncompliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on the Schedule of Revenues, Expenditures, and Changes in Fund Balances; fraud that is material, either quantitatively or qualitatively, to the Schedule of Revenues, Expenditures, and Changes in Fund Balances; and any other instances that warrant the attention of those charged with governance. We performed our examination to express an opinion on whether the Schedule of Revenues, Expenditures, and Changes in Fund Balances 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 Balances or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed certain findings that are required to be reported under *Government Auditing Standards*, and those findings, along with the views of management, are described in the Comments Section of the report.

Government Auditing Standards also require us to perform limited procedures on the Committee's response to the findings identified in the Comments and Recommendations section of the report. The Committee's responses were not subjected to the other procedures applied in the attestation of the Schedule of Revenues, Expenditures, and Changes in Fund Balances and, accordingly, we express no opinion on the responses.

The purpose of this report is to express an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances, 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.

Rachel Wittler

Rachel Wittler, CPA, CFE
Audit Manager
Lincoln, Nebraska

Mike Foley

Mike Foley
Auditor of Public Accounts

June 26, 2026

NEBRASKA BRAND COMMITTEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Calendar Year Ended December 31, 2025

	Inspection and Theft Prevention Fund 23910	Estray Fund 73910	**Totals (Memorandum Only)**
REVENUES:			
Sales & Charges	$ 5,789,918	$ -	$ 5,789,918
Miscellaneous	33,756	-	33,756
TOTAL REVENUES	5,823,674	-	5,823,674
EXPENDITURES:			
Personal Services	4,732,997	-	4,732,997
Operating	621,212	-	621,212
Travel	748,162	-	748,162
Capital Outlay	89	-	89
TOTAL EXPENDITURES	6,102,460	-	6,102,460
Deficiency of Revenues Under Expenditures	(278,786)	-	(278,786)
OTHER FINANCING SOURCES:			
Sales of Assets	864	-	864
TOTAL OTHER FINANCING SOURCES	864	-	864
Net Change in Fund Balances	(277,922)	-	(277,922)
FUND BALANCES, JANUARY 1, 2025	819,873	-	819,873
FUND BALANCES, DECEMBER 31, 2025	$ 541,951	$ -	$ 541,951
FUND BALANCES CONSIST OF:			
General Cash	$ 542,245	$ 134,277	$ 676,522
NSF Items	1,017	-	1,017
Accounts Receivable Invoiced	189	-	189
Due From Other Funds	-	12,631	12,631
Due to Vendors	(1,522)	-	(1,522)
Deposits	-	(59,775)	(59,775)
Due to Fund	22	(87,133)	(87,111)
TOTAL FUND BALANCES	$ 541,951	$ -	$ 541,951

The accompanying notes are an integral part of the schedule.

NOTES TO THE SCHEDULE

For the Period January 1, 2025, through December 31, 2025

1. Criteria

The accounting policies of the Nebraska Brand Committee (Committee) 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 2024), 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 2024), 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 the 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 Balances (Schedule) 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 Committee to record all accounts receivable and related revenues in EnterpriseOne; as such, the Committee'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, 2025, and not yet paid as of that date. The amount recorded as expenditures on the Schedule, as of December 31, 2025, **does not** include amounts for goods and services received before December 31, 2025, which had not been posted to the general ledger as of December 31, 2025.

Other liabilities are recorded in accounts entitled "Due to Vendors," "Deposits," and "Due to Fund" for the Committee. The assets in these funds are being held by the State as an agent and will be used to pay those liabilities to individuals, private organizations, other governments, and/or other funds. The recording of those liabilities reduces the fund balance/equity. Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

The following fund types are established by the State and used by the Committee:

> **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.
>
> **70000 – Distributive Funds** – account for assets held by the State as an agent for individuals, private organizations, other governments, and/or other funds.

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

> **Sales & Charges –** Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees. Inspection fees are collected for the performance of brand inspections and brand recording fees are collected for recording brands.

NOTES TO THE SCHEDULE
(Continued)

1. Criteria (Concluded)

Miscellaneous – Revenue from sources not covered by other major categories, such as investment income. Beef Council contract fees are collected as a result of an agreement with the Nebraska Beef Council. The Committee receives a collection fee for collecting the Nebraska Beef Council's beef check-off assessments.

The following major expenditure account classifications are established by State Accounting and used by the Committee:

Personal Services – Salaries, wages, and related employee benefits provided for all persons employed by the Committee.

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.

Capital Outlay – Expenditures that result in the acquisition of or an addition to capital assets. Capital assets are resources of a long-term character, owned or held by the government.

Other significant accounting classifications and procedures established by State Accounting and used by the Committee include the following:

Assets – Resources owned or held by a government that have monetary value. Assets include cash accounts and receivable accounts. Accounts receivable are recorded as an increase to revenues, resulting in an increase to fund balance on the Schedule. Cash accounts 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. Other liabilities recorded in the general ledger for the Committee's funds at December 31, 2025, included amounts recorded in Deposits and Due to Fund. The activity of these accounts are not recorded through revenue and expenditure accounts on the Schedule of Revenues, Expenditures, and Changes in Fund Balances.

Other Financing Sources – Proceeds of fixed asset dispositions.

2. Reporting Entity

The Committee is a State agency established under and governed by the laws of the State of Nebraska. As such, the Committee is exempt from State and Federal income taxes. The Schedule includes all funds of the Committee included in the general ledger.

The Committee is part of the primary government for the State of Nebraska.

3. Totals

The Totals "Memorandum Only" column represents an aggregation of individual account balances. The column is presented for overview informational purposes and does not present consolidated financial information because interfund balances and transactions have not been eliminated.

NOTES TO THE SCHEDULE
(Continued)

4. 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.

5. 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.

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 Committee takes an annual inventory, recording in the State's accounting system all equipment that has a cost of $5,000 or more at the date of acquisition.

For the ACFR, the State requires the Committee 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 two years is capitalized. Substantially, all initial building costs, land, and land improvements are capitalized. Building improvements and renovations are capitalized if a substantial portion of the life of the asset has expired and if the useful life of the asset has been extended as a result of the renovation or improvement. 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.

Buildings and Equipment are depreciated in the ACFR using the straight-line method. The following estimated useful lives are used to compute depreciation:

Buildings	40 years
Equipment	3-20 years

Capital asset activity of the Committee recorded in the State's accounting system for the period ending December 31, 2025, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets				
Land	$ 5,001	$ -	$ -	$ 5,001
Buildings	85,531	-	-	85,531
Equipment	318,143	5,795	2,591	321,347
Total	408,675	5,795	2,591	411,879
Less accumulated depreciation for:				
Buildings				85,531
Equipment				244,643
Total				330,174
Total capital assets, net of depreciation				$ 81,705

NOTES TO THE SCHEDULE
(Concluded)

6. Subsequent Event

Legislative Bill (LB) 1187 (2026) was signed into law on April 16, 2026, by Governor Jim Pillen. This bill changes the Livestock Brand Act, set out at Neb. Rev. Stat. §§ 54-170 to 54-1,131 (Reissue 2021), as follows:

Category	Livestock Brand Act Before LB 1187	Livestock Brand Act After LB 1187
Brand Committee Members	The Committee consists of five members appointed by the Governor. Three members must be active cattlepersons, and at least one member must be an active cattle feeder.	Effective August 28, 2026, the Committee will consist of seven voting members appointed by the Governor, including one person from each of the five Committee districts whose principal business or occupation is the raising of cattle; one person who owns or operates a cattle feeding operation within the brand inspection area; and one person who owns or operates a livestock auction market within the brand inspection area.
Executive Director	Appointed by Committee.	Appointed by the Committee and approved by the Governor.
Brand Renewal Fee	Maximum of $200 for a four-year period.	Maximum of $400 for a four-year period.
Expired Brand Fee	Maximum of $150 plus $5 for each month since expiration.	Maximum of $400 plus $5 for each month since expiration.
Physical Inspection Fee	Maximum of $1.10 per head.	Maximum of $1.50 per head.
Electronic Inspection Fee	Maximum of $0.85 per head.	Maximum of $1.50 per head.
Mileage	Actual mileage incurred at the rate established by the Department of Administrative Services.	Maximum surcharge of $30.
Registered Feed Lot Renewal Fee	Fee set by the Committee. As of December 31, 2025, this fee was $1,100 for each 1,000 head, split in increments after the first 1,000 head.	Fee equal to 25% of the inspection fee, which will equate to a maximum of $375 for each 1,000 head, split in increments after the first 1,000 head.
Registered Feed Lot Audits	Audited at any reasonable time at the discretion of the Committee.	Audited twice per calendar year up to 10% of lot files unless reasonable cause for additional audits exists and is approved by the Committee.
Dairy Heifer Development Facility	N/A	Creates program and provides for an annual non-refundable registration fee of 25% of the maximum capacity of the facility. Provides requirements for brand inspection.
Dairy Heifer Development Facility Audits	N/A	Audited twice per calendar year up to 10% of lot files unless reasonable cause for additional audits exists and is approved by the Committee.

SUPPLEMENTARY INFORMATION

Our examination was conducted for the purpose of forming an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances. 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 Balances, and, accordingly, we express no opinion on it.

NEBRASKA BRAND COMMITTEE

Exhibit A

BRAND COMMITTEE INSPECTOR ACTIVITY AND PAY

For the Period January 1, 2025, through December 31, 2025

Employee Name	Employee Title	Total Head Count of Inspections CY2025	Total # of Inspection Records Entered CY2025	Total Wages Paid CY2025	
SHAWN B LAKE	BRAND INSPECTOR	103,329	942	$ 53,818.96	
MICHAEL PETERSON	BRAND INSPECTOR	87,497	448	$ 50,713.88	
JUDY L MARSHALL	BRAND INSPECTOR	81,395	1,149	$ 58,078.48	
DEAN A RICE	BRAND INSPECTOR	68,356	439	$ 42,755.82	
ERIN R KORELL	BRAND INSPECTOR	65,229	382	$ 41,570.04	
JUSTIN R FARBER	BRAND INSPECTOR	64,057	470	$ 38,837.64	
RACHAEL N DITTBENNER	BRAND INSPECTOR	63,781	979	$ 41,975.60	
TYLER J NEBEN	BRAND INSPECTOR	57,000	480	$ 58,123.66	
GLENN H DAVIS	INTERMITTENT BRAND INSPECTOR	55,981	233	$ 11,214.67	
JESS SMOLA	AREA SUPERVISOR	53,176	317	$ 63,205.60	
CHRISTINE L JARDINE	INTERMITTENT BRAND INSPECTOR	50,142	473	$ 22,395.97	
TODD D DRUEKE	BRAND INSPECTOR	49,320	564	$ 53,166.94	
ZANE J SNYDER	BRAND INSPECTOR	48,995	444	$ 50,821.06	
AMANDA MCCARTER	BRAND INSPECTOR	48,903	316	$ 46,565.74	
ROBERT S HUFFMAN	INTERMITTENT BRAND INSPECTOR	48,069	366	$ 26,528.99	
LEZLEY J KOUBEK	BRAND INSPECTOR	46,243	302	$ 39,968.76	
SCOTT NORGARD	BRAND INSPECTOR	43,711	473	$ 46,242.52	*
BRYAN P COLLINS	INTERMITTENT BRAND INSPECTOR	43,028	470	$ 18,465.36	
NICHOLAS H ROCHLITZ	BRAND INSPECTOR	42,710	1,161	$ 39,968.34	
WILLIAM L GLENDY	BRAND INSPECTOR	42,278	376	$ 48,354.82	
JULIE K GAMBLE	INTERMITTENT BRAND INSPECTOR	41,606	480	$ 20,038.46	
CASEY P SHEETS	INTERMITTENT BRAND INSPECTOR	39,652	379	$ 23,236.80	
TYLER CARSON	BRAND INSPECTOR	38,410	383	$ 52,570.50	
LINDSEY G JACK	BRAND INSPECTOR	37,307	263	$ 41,564.24	
ALAN L CORNISH	INTERMITTENT BRAND INSPECTOR	36,479	354	$ 13,016.18	
MCKENNA D PARRIOTT	BRAND INSPECTOR	31,864	276	$ 19,481.62	*
MARVIN L SCHMITZ	BRAND INSPECTOR	28,784	237	$ 41,133.00	
BRETT L MCABEE JR.	BRAND INSPECTOR	25,181	168	$ 17,634.51	
TIMOTHY M HALLER	BRAND INSPECTOR	23,808	228	$ 14,448.73	*
WILLIAM F WARREN	BRAND INSPECTOR	22,943	189	$ 41,164.81	
ROBERT B HARVEY	INTERMITTENT BRAND INSPECTOR	22,626	215	$ 10,657.25	
ALEX J FLESSNER	BRAND INSPECTOR	21,951	181	$ 22,723.00	
MARK J BUOY	BRAND INSPECTOR	19,676	281	$ 60,632.82	
TRACI L SPACE	INTERMITTENT BRAND INSPECTOR	19,435	231	$ 15,142.79	
JIM M LAMBERT	BRAND INSPECTOR	18,054	220	$ 17,280.63	
RAYMOND W AREHART	INTERMITTENT BRAND INSPECTOR	17,965	167	$ 13,476.31	
GARY L SANDAGE	INTERMITTENT BRAND INSPECTOR	17,777	260	$ 19,397.06	
JERRY F HOMOLKA JR.	INTERMITTENT BRAND INSPECTOR	17,740	181	$ 28,216.60	
MARI J SMITH	BRAND INSPECTOR	17,180	214	$ 46,515.16	
REMINGTON X CANFIELD	INSPECTOR IN CHARGE	16,667	246	$ 52,383.38	
CYRUS J GREEK	BRAND INSPECTOR	15,996	187	$ 39,454.78	
MICHAEL W BARTLETT	BRAND INSPECTOR	15,535	114	$ 59,902.82	
KRISTINE R BARNES	INTERMITTENT BRAND INSPECTOR	15,230	182	$ 14,436.35	
THOMAS J WELSH	BRAND INSPECTOR	14,676	125	$ 62,965.37	*
ARLAN R BOELTER	INTERMITTENT BRAND INSPECTOR	14,498	83	$ 9,021.49	*
MACEE N WEEKS	BRAND INSPECTOR	14,084	158	$ 47,639.54	
KRISTINA L NAUGHTIN	BRAND INSPECTOR	13,679	144	$ 49,683.30	
DANIEL J RADIL	BRAND INSPECTOR	13,228	283	$ 75,241.74	*
KOLT D ILLINGWORTH	BRAND INSPECTOR	12,914	138	$ 41,133.00	
ROLAND A TRENTMAN	INTERMITTENT BRAND INSPECTOR	11,995	88	$ 4,831.60	*

(Continued)

NEBRASKA BRAND COMMITTEE

Exhibit A

BRAND COMMITTEE INSPECTOR ACTIVITY AND PAY

For the Period January 1, 2025, through December 31, 2025

Employee Name	Employee Title	Total Head Count of Inspections CY2025	Total # of Inspection Records Entered CY2025	Total Wages Paid CY2025	
MARCUS L BECKER	BRAND INSPECTOR	11,496	218	$ 43,558.68	
RONALD L TUBBS JR.	INTERMITTENT BRAND INSPECTOR	10,718	64	$ 4,489.28	*
JEREMY L KENNEDY	BRAND INSPECTOR	10,564	240	$ 48,206.68	
REX W MICHEEL	BRAND INSPECTOR	10,522	97	$ 62,867.10	
ERIC A STUEHM	BRAND INSPECTOR	10,478	128	$ 38,445.49	
ANGELA M BLANK	INTERMITTENT BRAND INSPECTOR	9,939	178	$ 14,911.70	
CODY B SWANSON	BRAND INSPECTOR	8,527	99	$ 56,097.00	
SHANNON L HARPER	INTERMITTENT BRAND INSPECTOR	7,296	82	$ 5,829.42	
CHRISTOPHER L HILLIKER	BRAND INSPECTOR	7,088	115	$ 50,450.46	
COY M BUTLER	BRAND INSPECTOR	6,954	64	$ 10,315.45	*
SCOTT J LINDSEY	AREA SUPERVISOR	6,515	84	$ 69,262.94	
SARAH E MCCOWN	BRAND INSPECTOR	6,339	93	$ 40,378.48	
JOHN ROBERT J FADEN	INTERMITTENT BRAND INSPECTOR	5,950	68	$ 2,625.73	
VERONICA L GRUEBER	BRAND INSPECTOR	5,822	67	$ 4,759.12	
STEPHANIE A KUHN	INTERMITTENT BRAND INSPECTOR	5,427	66	$ 6,990.78	
MADELINE J STEELE	BRAND INSPECTOR	5,393	59	$ 52,769.74	
MCKENZIE KELLY	BRAND INSPECTOR	5,133	53	$ 50,542.54	
RICHARD L ESTERGARD	BRAND INSPECTOR	4,830	60	$ 10,187.36	*
CADE S CONNELL	BRAND INSPECTOR	4,702	56	$ 12,023.49	
JOSHUA E KING	BRAND INSPECTOR	4,579	67	$ 50,579.48	
SHAWN J HANKS	AREA SUPERVISOR	2,605	26	$ 66,215.42	
KAYLA S JESSE	AREA SUPERVISOR	1,896	19	$ 80,387.37	
RYLAN G LOFQUIST	BRAND INSPECTOR	1,893	16	$ 3,256.35	
JANE E SPRAGUE	INTERMITTENT BRAND INSPECTOR	114	6	$ 17,431.51	*

*Indicates employee terminated during calendar year 2025.

(Concluded)

Note *: The above amounts only represent local inspections and do not represent cattle inspected at sale barns or packing plants. The amounts included above also do not include adjustment for an inspection that was cancelled or returned.*

Source: APA created from Brand Committee system reports.