AUDIT REPORT
OF THE
NEBRASKA COMMISSION ON INDIAN AFFAIRS

JULY 1, 1999 THROUGH JUNE 30, 2000

NEBRASKA COMMISSION ON INDIAN AFFAIRS

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BACKGROUND

The Commission on Indian Affairs (Commission) was established in 1971. The Commission's purpose is to join representatives of all Indians in Nebraska to enhance the cause of Indian rights and develop solutions to problems common to all Nebraska Indians. The Commission monitors legislation and coordinates activities among tribes, organizations, and State and federal agencies.

The Governor appoints fourteen American Indians living in Nebraska as Commission members. Members serve four-year terms and are appointed as follows: two from the Omaha Tribe reservation; two from the Winnebago Tribe reservation; two from the Santee Tribe reservation; two from the Ponca Tribe; one from the City of Lincoln; two from the City of Omaha; one from the district comprised of Box Butte, Dawes, Sheridan, and Sioux counties; one from the district comprised of Banner, Cheyenne, Deuel, Garden, Kimball, Morrill, and Scotts Bluff counties; and one at-large member. The Commission may appoint nonvoting, ex officio members who are not required to be American Indians.

The Commission meets four times per year. Members are paid $50 per day when conducting Commission business and are reimbursed for their expenses. The Commission hires and sets the pay of an executive director who is a Nebraska Indian tribe member or a Nebraska resident of Indian descent.

MISSION STATEMENT

To join representatives of all Indians in Nebraska to do all things which it may determine to enhance the cause of Indian Rights and to develop solutions to problems common to all Nebraska Indians.

SUMMARY OF COMMENTS

During our audit of the Nebraska Commission on Indian Affairs, we noted certain matters involving the internal control over financial reporting and other operational matters which are presented here. Comments and recommendations are intended to improve the internal control over financial reporting, ensure compliance, or result in operational efficiencies.

1. ***Payroll:*** Compensatory time earned and used was not recorded on the Nebraska Employee Information System (NEIS). Vacation and sick leave used by employees was not recorded on NEIS in a timely manner. In addition, one employee's vacation leave was carried over in excess of the allowable maximum without approval as required by Statute and Personnel Rules.

2. ***Rules and Regulations:*** A copy of the Commission's rules and regulations had not been filed with the Nebraska Secretary of State as required by State Statute.

3. ***Travel Expense Reimbursements:*** The Commission made an overpayment of $161.20 for personal vehicle mileage. In addition, adequate supporting documentation was not available to support a disbursement.

4. ***Fixed Assets:*** The Commission did not have proper segregation of duties in place. One employee is responsible for all aspects of fixed asset record keeping. In addition, all recorded fixed assets were not properly tagged as required by State Statute.

More detailed information on the above items is provided hereafter. It should be noted this report is critical in nature since it contains only our comments and recommendations on the areas noted for improvement.

Draft copies of this report were furnished to the Commission to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. All formal responses received have been incorporated into this report. Where no response has been included, the Commission declined to respond. Responses have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were not verified at this time but will be verified in the next audit.

We appreciate the cooperation and courtesy extended to our auditors during the course of the audit.

COMMENTS AND RECOMMENDATIONS

1. Payroll

According to the Nebraska Employee Information System (NEIS) procedures manual section CONC-001, page 4, NEIS has the capability to record employees' compensatory time earned and used. CONC-001, page 4, also requires "uniform control and consistent accounting and reporting for employees' vacation and sick leave be maintained." Neb. Rev. Stat. Section 81-1328 R.R.S. 1999 requires vacation leave in excess of the maximum hours allowable to be lost at year-end, and requires documented approval for any carryover to the next year. Personnel Rules and Regulations Title 273 NAC 9-004.02 allows the carryover of vacation leave in excess of 280 hours when approved by the Agency Head. Good internal control requires adequate accounting procedures be in place over compensatory time and vacation leave earned and used by employees.

During our audit of payroll, we noted the following:

- Compensatory time earned and used was accumulated on the employee's timesheets, and but was not recorded on NEIS.
- Vacation and sick leave used by employees was not recorded on NEIS in a timely manner. An accumulated leave adjustment was periodically recorded.
- One employee's vacation leave was carried over in excess of the allowable maximum. Documented approval to carry over the excess amount was not available.

The NEIS system is the official leave reporting system for the State of Nebraska. As such, it should be used by the Commission to record all compensatory time and vacation and sick leave used in a timely manner. The result of noncompliance with State Statute and Personnel Rules increases the possible loss or misuse of State funds due to overpayment of leave hours.

> We recommend the Commission record all compensatory time earned and used by Commission employees on the NEIS. In addition, we recommend the Commission record vacation and sick leave used on NEIS in a timely manner. We further recommend the Commission balance each employee's vacation balance at year-end in accordance with Neb. Rev. Stat. Section 81-1328 and with Personnel Rules.

Commission's Response: Compensatory time has always been recorded on hard copy. The Commission will contact its analyst at DAS to find out what process is used to record this time on the NEIS system in the future. As for vacation and sick leave being recorded in a timely manner, this has been a problem due to lack of staffing. We recently hired a staff assistant and that should relieve some of the back up on support staff duties that have been being performed by the administrative assistant. Recording of vacation and sick leave should soon be accomplished in a timely manner. All vacation balance at year-end will be adjusted in accordance with Neb. Rev. Stat. Section 81-1328 and Personnel Rules.

COMMENTS AND RECOMMENDATIONS

2. Rules and Regulations

Neb. Rev. Stat. Section 84-902, R.R.S. 1999 requires each agency to file in the office of the Nebraska Secretary of State a certified copy of the rules and regulations in force and in effect in such agency.

During our audit, we noted the Commission's rules and regulations had not been filed with the Secretary of State. Therefore, the Commission was not in compliance with State Statute.

> We recommend the Commission comply with Neb. Rev. Stat. Section 84-902 by filing their rules and regulations with the office of the Secretary of State.

Commission's Response: There appears to be some confusion in this area. The Women's Commission is not required to file a copy of their rules and regulations and the Mexican-American Commission is required to do so. We have been in contact with the Secretary of State's office with regards to where our Commission falls. They are investigating this question and will be responding to our office. In the mean time, we have requested and received a copy of the Mexican-American Commission's rules and regulations to see what it would entail to submit ours. It is unclear by what they have on file what would be required for our Commission. The Commission will continue to pursue this matter with the Secretary of State and file our rules and regulations to ensure our compliance with Neb. Rev. Stat. Section 84-902; once it is made clear what is required. It is anticipated that this should be accomplished prior to the end of this fiscal year.

3. Travel Expense Reimbursements

According to Neb. Rev. Stat. Section 81-2506, R.R.S. 1999, members of the Commission will receive reimbursement only for actual and necessary expenses. In addition, Neb. Rev. Stat. Section 81-1174, R.R.S. 1999 requires expense reimbursements to be supported by receipts. Also, good internal controls require adequate documentation be maintained for all disbursements.

During our audit, we noted one of twelve expense reimbursement documents tested contained an overpayment of $161.20 for personal vehicle mileage. In addition, one of twelve expense reimbursement documents tested did not contain adequate supporting documentation to support the disbursement.

Without good internal control, the Commission is exposed to an increased risk of loss or misuse of State funds.

COMMENTS AND RECOMMENDATIONS

3. **Travel Expense Reimbursements** (Concluded)

> We recommend the Commission implement procedures to review personal vehicle mileage reimbursements for reasonableness and maintain adequate supporting documentation for all disbursements. Furthermore, we recommend the Commission seek reimbursement for the overpayment of personal vehicle mileage.

Commission's Response: When one of our new Commissioners came on board an inaccurate mileage was recorded for his travel. This one-time overpayment went undetected until the auditor brought it to our attention. We will require the overpayment to be repaid. We have begun to use maps.com to check mileage for Commissioner and staff travel so this should take care of any inaccurate mileage in the future. As for the document that lacked supporting documentation, that was a result of copier malfunction. We have an old copier and it is often broken. Without access to another copier we had to submit the original documents to DAS without making a copy for our files. When we tried to get a copy of the original documents from DAS, they could not find the document at all. In the future, we will hold documents until such time as a copy of the original documentation can be made.

4. **Fixed Assets**

Good internal control includes a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records. A system of internal controls should include a proper segregation of duties where no individual can handle all aspects of a transaction. Neb. Rev. Stat. Section 81-1118.02(3), R.R.S. 1999, states, "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."

During our audit, we noted a lack of segregation of duties related to fixed assets. One individual was responsible for all aspects of fixed asset record keeping. In addition, no compensating controls were in place. Furthermore, we noted two of five fixed assets tested were not tagged "Property of the State of Nebraska."

A lack of segregation of duties and fixed assets not being properly tagged "Property of the State of Nebraska" increases the possible loss or misuse of State assets.

> We recommend the Commission implement procedures to segregate duties related to fixed assets. If a segregation of duties cannot be achieved, a compensating control should be established. We further recommend the Commission comply with Neb. Rev. Stat. Section 81-1118.02(3) by properly tagging all fixed asset items.

COMMENTS AND RECOMMENDATIONS

4. **Fixed Assets** (Concluded)

Commission's Response: This area has also been a problem because of lack of staffing. With only one administrative support staff on duty there was no one else to carry out these duties. We recently hired a new staff support person and this should resolve the issue of fixed asset segregation of duties in the future. This same issue carried over into the tagging of fixed assets. Although all assets have been tagged there were a couple that the labels had fallen off during our recent move from the Capitol. These will be re-labeled during our annual inventory to comply with Neb. Rev. Stat. Section 81-1118.02(3).

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NEBRASKA COMMISSION ON INDIAN AFFAIRS

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of the Nebraska Commission on Indian Affairs as of and for the fiscal year ended June 30, 2000, as listed in the Table of Contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Also as discussed in Note 1, the financial statements present only the Nebraska Commission on Indian Affairs, and are not intended to present fairly the fund balances and the receipts and disbursements of the State of Nebraska in conformity with the cash receipts and disbursements basis of accounting.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund balances of the Nebraska Commission on Indian Affairs as of June 30, 2000, and the receipts and disbursements for the fiscal year then ended, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated March 23, 2001, on our consideration of the Nebraska Commission on Indian Affair's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Timothy J. Channer CPA

March 23, 2001 Manager

NEBRASKA COMMISSION ON INDIAN AFFAIRS

STATEMENT OF ASSETS AND FUND BALANCES AND OTHER CREDITS
ARISING FROM CASH TRANSACTIONS
ALL FUND TYPES AND GENERAL FIXED ASSETS ACCOUNT GROUP

June 30, 2000

	Governmental Fund Types		Account Group	
		Special Revenue		
	General	Commission Cash Fund 2722	General Fixed Assets	**Totals** (Memorandum Only)
Assets				
Cash in State Treasury	$ -	$ 421	$ -	$ 421
Deposit with Vendors	147	-	-	147
Property, Plant, and Equipment	-	-	15,909	15,909
Total Assets	$ 147	$ 421	$ 15,909	$ 16,477
Fund Balances and Other Credits				
Other Credits,				
Investment in Fixed Assets	$ -	$ -	$ 15,909	$ 15,909
Fund Balances:				
Reserved For Postage	147	-	-	147
Unreserved, Undesignated	-	421	-	421
Total Fund Balances and Other Credits	$ 147	$ 421	$ 15,909	$ 16,477

See Notes to Financial Statements.

NEBRASKA COMMISSION ON INDIAN AFFAIRS

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES

For the Fiscal Year Ended June 30, 2000

	Governmental Fund Types		
		Special Revenue	
	General	Commission Cash Fund 2722	**Totals** (Memorandum Only)
RECEIPTS:			
Appropriations	$ 153,569	$ -	$ 153,569
Sales and Charges	2,000		2,000
Miscellaneous	-	24	24
TOTAL RECEIPTS	155,569	24	155,593
DISBURSEMENTS:			
Personal Services	95,929	-	95,929
Operating	28,706	-	28,706
Travel	27,218	-	27,218
Capital Outlay	1,716	-	1,716
TOTAL DISBURSEMENTS	153,569	-	153,569
Excess of Receipts Over (Under) Disbursements	2,000	24	2,024
OTHER FINANCING SOURCES (USES):			
Deposits to State General Fund	(2,000)	-	(2,000)
TOTAL OTHER FINANCING SOURCES (USES)	(2,000)	-	(2,000)
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	-	24	24
FUND BALANCE, JULY 1, 1999	147	397	544
FUND BALANCE, JUNE 30, 2000	$ 147	$ 421	$ 568

See Notes to Financial Statements.

NEBRASKA COMMISSION ON INDIAN AFFAIRS

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

General and Cash Funds

For the Year Ended June 30, 2000

	GENERAL FUND			CASH FUND			**TOTALS** (MEMORANDUM ONLY)		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:									
Appropriations		$ 153,569			$ -			$ 153,569	
Taxes		2,000			-			2,000	
Miscellaneous		-			24			24	
TOTAL RECEIPTS		155,569			24			155,593	
DISBURSEMENTS:									
Personal Services		95,929			-		$ 113,326	95,929	$ 17,397
Operating		28,706			-		24,175	28,706	(4,531)
Travel		27,218			-		26,536	27,218	(682)
Capital Outlay		1,716			-		300	1,716	(1,416)
TOTAL DISBURSEMENTS	164,337	153,569	10,768	-	-	-	164,337	153,569	10,768
Excess of Receipts Over (Under) Disbursements		2,000			24			2,024	
OTHER FINANCING SOURCES (USES):									
Deposit to State General Fund		(2,000)			-			(2,000)	
TOTAL OTHER FINANCING SOURCES (USES)		(2,000)			-			(2,000)	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		-			24			24	
FUND BALANCES, JULY 1, 1999		147			397			544	
FUND BALANCES, JUNE 30, 2000		$ 147			$ 421			$ 568	

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2000

1. Summary of Significant Accounting Policies

The accounting policies of the Nebraska Commission on Indian Affairs are on the basis of accounting as described in the Nebraska Accounting System Manual.

A. Reporting Entity. The Nebraska Commission on Indian Affairs (Commission) is a State agency established under and governed by the laws of the State of Nebraska. As such, the Commission is exempt from State and Federal income taxes. The financial statements include all funds of the Commission. The Commission has also considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the Commission, or the significance of their relationship with the Commission are such that exclusion would be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Commission to impose its will on that organization, or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Commission.

These financial statements present the Nebraska Commission on Indian Affairs. No component units were identified. The Nebraska Commission on Indian Affairs is part of the primary government for the State of Nebraska's reporting entity.

In 1997, the Nebraska Commission on Indian Affairs Foundation was incorporated, and renamed the Dream Catcher Foundation (Foundation) in 1999. The Foundation is a legally separate entity and is financially independent from the Commission. There were no financial transactions between the Foundation and the Commission during fiscal year 2000. However, four of the Foundation's nine Board members are Commission members. In addition, the Commission's Executive Director is required to serve on the Foundation's Board.

B. Basis of Accounting. The accounting records of the Commission are maintained and the Commission's financial statements were prepared on the basis of cash receipts and disbursements. Under this method, revenues are recognized when received and expenditures are recognized when paid. This presentation differs from governmental generally accepted accounting principles (GAAP), which requires the use of the modified accrual basis for governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when they are considered susceptible to accrual and expenditures are recognized when the liability is incurred.

NOTES TO FINANCIAL STATEMENTS
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

C. **Fund Accounting.** The accounts and records of the Commission are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts which records receipts, disbursements, and the fund balance. The fixed asset account group is a financial reporting device designed to provide accountability over fixed assets. The fund types and account group presented on the financial statements are those required by GAAP, and include:

General Fund. Reflects transactions related to resources received and used for those general operating services traditionally provided by state government and which are not accounted for in any other fund.

Special Revenue Funds. Reflect transactions related to resources received and used for restricted or specific purposes.

General Fixed Assets Account Group. Used to account for general fixed assets of the Commission.

This fund type classification differs from the budgetary fund types used by the Nebraska Accounting System.

The fund types established by the Nebraska Accounting System that are used by the Commission are:

1000 - General Fund - accounts for all financial resources not required to be accounted for in another fund.

2000 - Cash Funds - account for receipts generated by specific activities from sources outside of State government and the disbursements directly related to the generation of the receipts.

D. **Budgetary Process.** The State's biennial budget cycle ends on June 30 of the odd-numbered years. By September 15, prior to a biennium, the Commission and all other State agencies must submit their budget request for the biennium beginning the following July 1. The requests are submitted on forms that show estimated funding requirements by programs, sub-programs, and activities. The Executive Branch reviews the requests, establishes priorities, and balances the budget within the estimated resources available during the upcoming biennium.

1. Summary of Significant Accounting Policies (Continued)

The Governor's budget bill is submitted to the Legislature in January. The Legislature considers revisions to the bill and submits the revised appropriations bill to the Governor for signature. The Governor may: a) approve the appropriations bill in its entirety, b) veto the bill, or c) line item veto certain sections of the bill. Any vetoed bill or line item can be overridden by a three-fifths vote of the Legislature.

The appropriations that are approved will generally set spending limits for a particular program within the agency. Within the agency or program, the Legislature may provide funding from one to five budgetary fund types. Thus, the control is by fund type, within a program, within an agency. The central accounting system maintains this control. A separate publication entitled "Annual Budgetary Report" shows the detail of this level of control. This publication is available from the Department of Administrative Services, Accounting Division.

Appropriations are usually made for each year of the biennium with unexpended balances being reappropriated at the end of the first year of the biennium. For most appropriations, balances lapse at the end of the biennium.

All State budgetary disbursements for the general and cash fund types are made pursuant to the appropriations which may be amended by the Legislature, upon approval by the Governor. State agencies may reallocate the appropriations between major object of expenditure accounts, except that the Legislature's approval is required to exceed the personal service limitations contained in the appropriations bill. Increases in total general, cash, construction, and revolving fund appropriations must also be approved by the Legislature as a deficit appropriations bill. Appropriations for programs funded in whole or in part from federal funds may be increased to the extent that receipts of federal funds exceed the original budget estimate.

The Commission utilizes encumbrance accounting to account for purchase orders, contracts, and other disbursement commitments. However, State law does not require that all encumbrances be recorded in the State's centralized accounting system, and, as a result, the encumbrances that were recorded in the accounting system have not been included in the accompanying financial statements, except for the impact as described below.

Under State budgetary procedures, appropriation balances related to outstanding encumbrances at the end of the biennium are lapsed and reappropriated in the first year of the next biennium. The effect of the Commission's current procedure is to

1. Summary of Significant Accounting Policies (Continued)

include in the budget columns, Total Disbursements line, of the Statement of Receipts, Disbursements, and Changes in Fund Balances - Budget and Actual the current year's appropriations plus the amounts reappropriated for encumbrances outstanding at the end of the prior biennium. This procedure indicates the Commission's intention to honor the encumbrances at the end of a biennium. The disbursements columns of the Statement include cash payments related to the appropriated and reappropriated amounts. For the year ended June 30, 2000, there were no budgetary funds in which disbursements exceeded appropriations.

Budgets for object of expenditure accounts are included in the Nebraska Department of Administrative Services Budget Status Report. They are budgeted at the program level and not within separate budgetary fund types for the program. As a result, for financial reporting purposes, budget amounts for object of expenditure accounts are shown only for total budgeted funds.

Receipts are not budgeted. Therefore, there are no budgeted amounts shown on the Budget and Actual Statement.

There is no difference between the fund balance of the Budgetary Statement and the Financial Statement. The Cash fund on the Budgetary Statement is appropriately classified as a Special Revenue fund for Financial Statement purposes.

E. Fixed Assets. General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as disbursements in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost, where historical records are available, and at an estimated historical cost, where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Assets on hand as of June 30, 2000 have been recorded at cost or estimated cost by the Commission. Generally, equipment which has a cost in excess of $300 at the date of acquisition and has an expected useful life of two or more years is capitalized.

Assets in the general fixed assets account group are not depreciated. Fixed assets do not include infrastructure, such as roads and bridges, as these assets are immovable and of value only to the government. The cost of normal maintenance and repairs that does not add to the value of the asset or extend asset life is not capitalized.

NOTES TO FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Cash in State Treasury. Cash in the State Treasury represents the cash balance of a fund as reflected on the Nebraska Accounting System. Investment of all available cash is made by the State Investment Officer, on a daily basis, based on total bank balances. Investment income is distributed based on the average daily book cash balance of funds designated for investment. Determination of whether a fund is considered designated for investment is done on an individual fund basis. All of the funds of the Commission were designated for investment during fiscal year 2000.

G. Inventories. Disbursements for items of an inventory nature are considered expended at the time of purchase rather than at the time of consumption.

H. Compensated Absences. All permanent employees working for the Commission earn sick and annual leave and are allowed to accumulate compensatory leave rather than being paid overtime. Temporary and intermittent employees and Commission members are not eligible for paid leave. Under GAAP the vested portion of the employee’s compensated absences is recorded in the Long Term Debt Account Group. Under the receipts and disbursements basis of accounting, the balances which would otherwise be reported in the Long Term Debt Account Group are not reported since they do not represent balances arising from Cash Transactions.

I. Receipts. The major account titles and descriptions as established by the Nebraska Accounting System that are used by the Commission are:

Appropriations. Appropriations are granted by the Legislature to make disbursements and to incur obligations. The amount of appropriations reported as receipts is the amount spent.

Sales and Charges. Income derived from funds received from the Department of Education to further the activities of the Commission.

Miscellaneous. Receipts from sources not covered by other major categories. These receipts consist of investment interest earned by the Commission.

J. Disbursements. The major account titles and descriptions as established by the Nebraska Accounting System that are used by the Commission are:

Personal Services. Salaries, wages, and related employee benefits provided for all persons employed by a government.

NOTES TO FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Concluded)

Operating. Disbursements directly related to a program's primary service activities.

Travel. All travel disbursements for any state officer, employee, or member of any commission, council, committee, or board of the State.

Capital Outlay. Disbursements which result in the acquisition of or an addition to fixed assets. Fixed assets are resources of a long-term character, owned or held by the government.

K. **Fund Balance Reservations.** Reservations of fund balances are established to identify the existence of assets that have been legally segregated for specific purposes. Reservations of fund balances are also established for assets which are not current in nature, such as deposits with vendors.

2. 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 since interfund balances and transactions have not been eliminated.

3. Contingencies and Commitments

Risk Management. The Commission is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors or omissions, injuries to employees, natural disasters, and health care insurance. The Commission, as part of the primary government for the State, participates in the State's risk management program. The Nebraska Department of Administrative Services (DAS) Division of Risk Management is responsible for maintaining the insurance and self-insurance programs for the State. The State generally self-insures for general liability and workers compensation. The State has chosen to purchase insurance for:

1. Motor vehicle liability, which is insured for the first $5 million of exposure per accident. Insurance is also purchased for medical payments, physical damage, and uninsured and underinsured motorists with various limits and deductibles.

2. Health care insurance for employees selecting certain coverage options. All health care insurance was purchased.

NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Contingencies and Commitments (Concluded)

3. Crime coverage, with a limit of $1 million for each loss, and a $10,000 retention per incident.

4. Real and personal property on a blanket basis for losses up to $250,000,000, with a self-insured retention of $100,000 per loss occurrence. The perils of flood and earthquake are covered up to $9,000,000. Newly-acquired properties are covered up to $1,000,000 for 60 days or until the value of the property is reported to the insurance company.

No settlements exceeded commercial insurance coverage in any of the past three fiscal years. Health care insurance is funded in the Risk Management Internal Service Fund through a combination of employee and State contributions. Worker's compensation is also funded in the Risk Management Internal Service Fund through assessments on each agency based on total agency payroll and past experience. Tort claims, theft of, damage to, or destruction of assets, errors or omissions, and natural disasters would be funded through the State General Fund or by individual agency assessments as directed by the Legislature, unless covered by purchased insurance. No amounts for estimated claims have been reported in the Nebraska Commission on Indian Affair's financial statements.

Litigation. The potential amount of liability involved in litigation pending against the Commission, if any, could not be determined at this time. However, it is the Commission's opinion that final settlement of those matters should not have an adverse effect on the Commission's ability to administer current programs. Any judgment against the Commission would have to be processed through the State Claims Board and be approved by the Legislature.

4. State Employees Retirement Plan (Plan)

The Plan is a single-employer defined contribution plan administered by the Public Employees Retirement Board in accordance with the provisions of the State Employees Retirement Act and may be amended by legislative action. In the defined contribution plan, retirement benefits depend on total contributions, investment earnings, and the investment options selected. Membership in the Plan is required of all permanent full-time employees on reaching the age of thirty and completion of twenty-four months of continuous service, and voluntary participation is permitted for all permanent full-time or part-time employees upon reaching age twenty and completion of twelve months of service within a five-year period, except any individual appointed by the Governor may elect to not become a member of the Plan.

NOTES TO FINANCIAL STATEMENTS
(Continued)

4. State Employees Retirement Plan (Plan) (Concluded)

Employees contribute 4.33% of their monthly compensation until such time as they have paid during any calendar year a total of eight hundred sixty four dollars, after which time they shall pay a sum equal to 4.8% of their monthly compensation for the remainder of such calendar year. The Commission matches the employee's contribution at a rate of 156% of the employee's contribution.

The employee's account is fully vested. The employer's account is vested 100% after five years participation in the plan or at retirement.

For the Fiscal Year Ended June 30, 2000, employees contributed $3,416 and the Commission contributed $5,329.

5. Fixed Assets

The following is a summary of changes in the general fixed assets account group during the fiscal year:

	Balance July 1, 1999	Additions	Retirements	Balance June 30, 2000
Equipment	$ 14,500	$ 1,409	$ -	$ 15,909

6. Full Accountability of the General Fund

Only the cash transactions are reported on the financial statements for this fund. They do not show appropriations. To show the full accountability over this fund the following schedule reflects appropriations. Appropriations do not represent cash transactions.

General Fund	
Beginning (Reappropriated) Balance July 1, 1999	$ -
New Appropriations	164,337
Total Appropriations	164,337
Disbursements	(153,569)
Ending (Appropriations) Balance June 30, 2000	$ 10,768

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NEBRASKA COMMISSION ON INDIAN AFFAIRS

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the Nebraska Commission on Indian Affairs as of and for the year ended June 30, 2000, and have issued our report thereon dated March 23, 2001. The report notes the financial statements were prepared on the basis of cash receipts and disbursements and was modified to emphasize that the financial statements present only the funds of the Nebraska Commission on Indian Affairs. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Nebraska Commission on Indian Affair's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. We noted certain immaterial instances of noncompliance that we have reported to management of the Nebraska Commission on Indian Affairs in the Comments Section of this report as Comment Number 1 (Payroll), Comment Number 2 (Rules and Regulations), Comment Number 3 (Travel Expense Reimbursements), and Comment Number 4 (Fixed Assets).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Commission on Indian Affair's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Nebraska Commission on Indian Affairs in the Comments Section of this report as Comment Number 1 (Payroll), Comment Number 3 (Travel Expense Reimbursements), and Comment Number 4 (Fixed Assets).

This report is intended solely for the information and use of the agency, the appropriate Federal and regulatory agencies, and citizens of the State of Nebraska, and is not intended to be and should not be used by anyone other than these specified parties.

Timothy J. Channer CPA

March 23, 2001 Manager