

**AUDIT REPORT
OF THE
NEBRASKA COMMISSION FOR THE
BLIND AND VISUALLY IMPAIRED
JULY 1, 2000 THROUGH JUNE 30, 2001**

NEBRASKA COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED

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NEBRASKA COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED

BACKGROUND

The Commission for the Blind and Visually Impaired was established as a separate agency beginning July 1, 2000. Prior to that time, a program in the Department of Health and Human Services provided services for the blind and visually impaired. The Commission provides services to assist blind persons in gaining remunerative employment, to enlarge economic opportunities for blind persons, to increase the available occupational range and diversity of blind persons, and to stimulate other efforts to aid blind persons in becoming self-supportive.

The Commission Board has five members appointed by the Governor. The Board shall consist of members having reasonable knowledge or experience in issues related to blindness and shall be appointed for staggered terms. At least three Board members shall be blind persons; one member shall be a member or designee of the American Council of the Blind of Nebraska; one member shall be a member or designee of the National Federation of the Blind of Nebraska; and one member may be a member of another consumer organization of the blind. Board members receive a per diem of \$70 for each day spent in the performance of their official duties and shall be reimbursed for expenses.

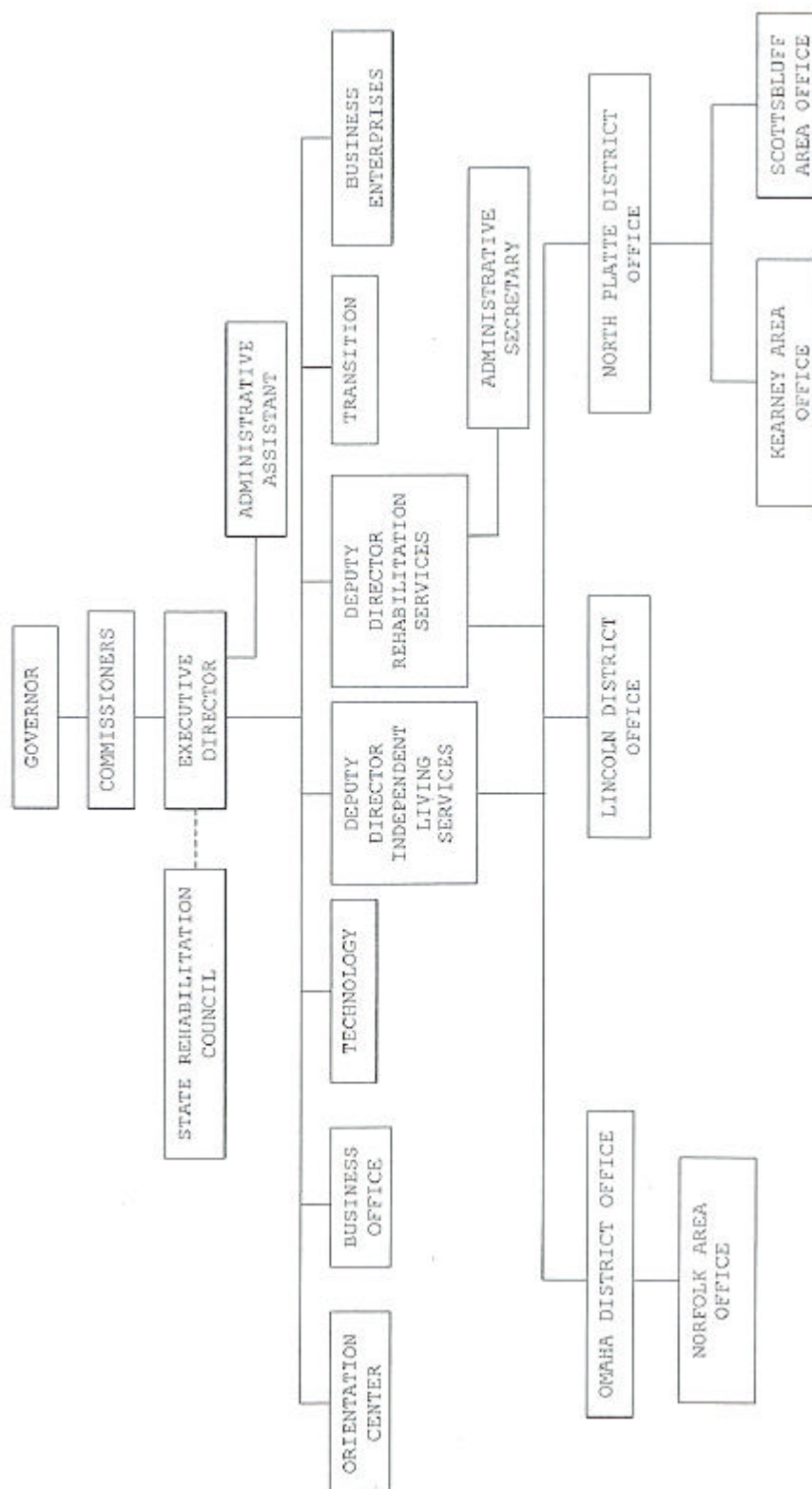
The Commission is headquartered in Lincoln with branch offices in Omaha, Kearney, North Platte, Scottsbluff, and Norfolk. Rehabilitation counselors provide or purchase vocational rehabilitation services for persons whose defective sight limits their vocational abilities and independent living. Services include diagnostic evaluations, counseling, guidance, physical restoration, training, tuition payments, maintenance, and job placements. The Commission also contracts for radio and telephone reading services to provide resources otherwise only available in print. At June 30, 2001, the Commission employed 48 individuals.

MISSION STATEMENT

To provide services enabling blind persons to achieve education or training, engage in the workforce, eliminate dependence on public support, and to be able to live independently, actively participating in all facets of life.

NEBRASKA COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED

ORGANIZATIONAL CHART



NEBRASKA COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED

SUMMARY OF COMMENTS

During our audit of the Nebraska Commission for the Blind and Visually Impaired, 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. ***Questioned Costs:*** Payment for activities including admission costs to Laser Quest and a water park were made to employees and clients.
2. ***Segregation of Duties over Disbursements:*** One individual could handle all phases of a transaction from beginning to end.
3. ***Cash Fund Set-Aside:*** Procedures to establish the set-aside percentage and to ensure all monies due are properly reported and remitted should be improved.
4. ***Legislative Restrictions of Appropriations:*** The Commission did not follow the restrictions as set by the Legislature.
5. ***Leave Balances:*** Procedures to ensure leave is balanced and properly lapsed should be improved.

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. 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. Questioned Costs

Neb. Rev. Stat. Section 71-8602 R.S.Supp., 2000 states "The purposes of the Commission . . . are to assist blind persons in gaining remunerative employment, to enlarge economic opportunities for blind persons, to increase the available occupational range and diversity for blind persons, and to stimulate other efforts that aid blind persons in becoming self-supporting." Office of Management and Budget OMB Circular A-87 establishes principles and standards for determining costs for Federal awards carried out through grants, cost reimbursement contracts, and other agreements with State and local governments. OMB Circular A-87, Attachment B, Section 18 states, "Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs are unallowable." Sound business practice requires public funds be used to ensure rehabilitation for essential skills.

We noted the following:

- ◆ An employee was reimbursed \$18 for client activities, including admission costs to Laser Quest and a water park. Employees attended the activities to supervise clients.
- ◆ Clients were provided \$25 per month for activities and \$25 per month for a bus pass while attending the orientation center. Outside activities included: horseback riding, Laser Quest, miniature golf, etc. Clients were not required to submit documentation to support how or if the funds were spent.

The total questioned costs could not be readily determined. However, we noted \$5,222 in maintenance payments were made to clients for activities and bus passes during the fiscal year. The payments were made from State General funds and Federal funds.

A similar comment was noted in our 1998 audit of Health and Human Services programs for the Visually Impaired.

We recommend the Commission expend State and Federal funds only for activities which promote vocational rehabilitation.

Commission's Response: Training provided by NCBVI is administered under the auspices of the Rehabilitation Act of 1973, as amended, (United States Code, Title 29, Section 701 et. seq. and the related federal regulations (Code of Federal Regulations (CFR), Chapter 34, Part 80 and Parts 360 et. seq. We do agree with the recommendation above and we affirm that the questioned expenditures are for activities that promote vocational rehabilitation (VR). In our response to this same concern during the previous audit, we referenced the Rehabilitation Act itself, Section 103 Vocational Rehabilitation Scope of Services.

COMMENTS AND RECOMMENDATIONS

1. Questioned Costs (Continued)

Reference CFR §361.5(35): Maintenance is defined as monetary support to individuals for expenses ... that are necessitated by the individual's ... receipt of vocational rehabilitation services under an individualized plan for employment. Also, reference CFR § 361.48(f): "Vocational and other training services, including personal and vocational adjustment training,"

Essential to the philosophical and pragmatic approach of effective VR services is that blind individuals must have ample opportunity to develop self-confidence and the ability to meet daily challenges. To be successful in the job search and in the workplace, one must possess and demonstrate self-assurance, an ability to move about in all types of environments, and the skills to perform new tasks as needed by the employer. This is true in almost any type of job or career. Such characteristics may come naturally to many people, but when individuals become blind it is very common for them to think that they will not be able to function at all, much less meet all the demands of successful employment. One example given in CFR §361.5(35) is "costs of an individual's participation in enrichment activities related to that individual's training program."

The training costs identified as questionable in the Audit Report, Laser Quest and a water park, can be considered both enrichment and vocational adjustment. All such activities are done with the clients using "sleepshades" so that they may fully learn how to function without vision. Indeed, so that they may know that despite their blindness, they can truly do whatever is put before them. This belief in oneself absolutely does promote vocational rehabilitation. Whether it means hopping a plane to negotiate an important deal or quickly switching gears to clean the large table in the corner for a group of customers, the skills needed for any job are only as useful as the individual's self-confidence is strong.

Our comments to this issue are perhaps more lengthy than typical because it is critical that we communicate why we do what we do. In this country, NCBVI has one of the best records and reputations for enabling blind individuals to become employed. This success is precisely because we include in our training a broad range of training events and experiences. We have attempted to provide a concise explanation, based upon the Rehabilitation Act and federal Regulations for our statement that the expenditures questioned are absolutely only for activities which promote vocational rehabilitation. If you still have questions or concerns on this issue, we will be most happy to discuss this important issue further.

COMMENTS AND RECOMMENDATIONS

1. Questioned Costs (Concluded)

Auditors' Response: We recommend the Commission obtain written documentation from the Federal Grantor approving these particular enrichment activities. Until such documentation is obtained, we recommend the Commission expend State and Federal funds only for activities which are clearly supported by both State and Federal law.

2. Segregation of Duties Over Disbursements

Good internal control requires a segregation of duties to exist so no one individual is capable of handling a transaction from beginning to end. If an adequate segregation of duties is not feasible, a compensating control should be in place to ensure the individual cannot both perpetuate and conceal errors or irregularities.

During our review of disbursement procedures, we noted one individual was capable of handling all phases of a transaction. The individual could both prepare and approve documents. Even though the individual did not have authorization for final approval, the documents were processed and no additional approval was noted. We also noted that a detailed reconciliation of disbursements was not performed.

We recommend the Commission implement procedures to ensure there is an adequate segregation of duties or implement compensating controls.

Commission's Response: We now have in place a procedure to assure that one individual cannot handle all phases of a transaction from beginning to end. The NCBVI Personnel Assistant, who has authorization to enter but not to authorize transactions, will verify all posted transactions prior to any documents being filed.

3. Cash Fund Set-Aside

Neb. Rev. Stat. Section 71-8612, R.S.Supp., 2000 establishes the Commission for the Blind and Visually Impaired Cash Fund and states, "The fund shall contain money received pursuant to the Commission for the Blind and Visually Impaired Act and shall include a percentage of the net proceeds derived from the operation of vending facilities. . . . The net proceeds from the operation of vending facilities shall accrue to the blind vending facility operator, except for the percentage of the net proceeds that shall revert to the cash fund.... The commission, in consultation with the Committee of Blind Vendors, shall determine the percentage of the net proceeds that reverts to the fund after an investigation to reveal the gross proceeds, cost of

COMMENTS AND RECOMMENDATIONS

3. Cash Fund Set-Aside (Concluded)

operation, amount necessary to replenish the stock of merchandise, and the business needs of the blind vending facility operator.” Good internal control requires procedures to ensure all monies due to the cash fund are properly reported and remitted.

We noted the following:

- ◆ Minutes of the Committee of Blind Vendors May 2001 meeting noted the set-aside percentage would be set at 12 percent; however, there was no discussion or documentation to support the basis for the percentage. Furthermore, the Commission minutes did not document any approval of the percentage.
- ◆ Vendors were required to submit a monthly profit and loss statement to the Commission. However, there were no procedures to ensure the reported sales were correct. The Commission did require invoices for purchases to be submitted, but there were often errors and the documentation did not agree to the statement. Vendors were not required to correct the statements. Without adequate procedures to ensure reported sales and purchases are accurate, there is an increased risk of loss due to errors or fraud.

A similar comment was noted in our 1998 audit of Health and Human Services Programs for the Visually Impaired.

During fiscal year 2001, \$43,205 was deposited to the cash fund from set-asides; in fiscal year 2000, the Department of Health and Human Services collected \$48,617.

We recommend the Commission annually review the set-aside percentage and document the determination and basis for the percentage set. We also recommend the Commission implement procedures to ensure all monies due are collected, and that all investigations are conducted as required by Statute.

Commission’s Response: We have made some steps toward effective procedures (1) to establish the set-aside percentage, including documentation of the basis for the decision, the percentage set by the Blind Vendors’ Committee and approval of the percentage by the Board of Commissioners; and (2) to ensure that all monies due are properly reported and remitted. The NCBVI Business Manager and staff for the vending program are developing procedures and documentation of projected sales and projected expenditures, counters will be added to all vending machines, vendors will be trained to document properly, the Board of Commissioners from now on will have an agenda item for their first meeting following the Blind Vendors’ Committee spring meeting. NCBVI is also in the process of developing Rules to clarify and to enforce the process of documentation and reporting.

COMMENTS AND RECOMMENDATIONS

4. Legislative Restrictions of Appropriations

An appropriation is defined as an authorization to make expenditures and incur obligations. This authority is granted by the Legislature and each agency is expected to operate within these limits and restrictions. 2000 Neb. Laws LB 352A, Section 1 states, "There is included in the appropriation to this program for FY2000-01 \$104,147 General Funds, \$29,800 Cash Funds, and \$704,553 Federal Funds estimate for state aid, which shall only be used for such purpose."

We noted the Commission did not use the required amount of General Funds per the LB for government aid. The Commission spent \$51,971 of General Funds for government aid for the fiscal year. At June 30, 2001 there were no appropriations remaining.

The Commission spent \$885,432 and \$6,835 of Federal funds and cash funds respectively for government aid. Additional appropriations of \$41,963 were available in the cash fund at fiscal year end. Although in total the Commission expended the required amount for state aid, the requirements related to the funding source were not met.

We recommend the Commission implement procedures to ensure compliance with appropriations restrictions.

Commission's Response: NCBVI now has a spreadsheet on which the Business Manager will track case service (Aid) expenditures from State Funds, to ensure compliance with restrictions as set by the Legislature.

5. Leave Balances

Neb. Rev. Stat. Section 81-1323 R.R.S. 1999 requires that sick leave be balanced at the end of the year and cannot exceed 1,440 hours. Neb. Rev. Stat. Section 81-1328 R.R.S. 1999 and NAPE contract article 14.7 require balancing vacation leave at year-end. Title 273 NAC 9-004.02 and 9-005.03 limit maximum hours of leave that may be carried over to 35 days of vacation and 1,440 hours of sick leave.

The Commission did not balance leave accounts at year-end and did not promptly lapse the balances in excess of allowable maximum carryovers. We noted six employees with vacation leave balances at year-end greater than the 280 hour maximum. There were also four employees with excessive sick leave balances.

We recommend the Commission balance vacation leave and sick leave at year-end and that only the maximum number of hours of vacation and sick leave be carried over.

COMMENTS AND RECOMMENDATIONS

5. Leave Balances (Concluded)

Commission's Response: The Business Manager and Personnel Assistant now have in place a system of date "flags" to identify leave balances and inform staff, to remind supervisors and staff of excess balances, the cut-off date for exceeding the limitation, and to identify and adjust any balance beyond the allowable limit. The process will be implemented both for the balance adjustment to be done at year end for all staff, and for the mid-year carry-overs, if any, for Rule-Covered staff.

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NEBRASKA COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED

INDEPENDENT AUDITORS' REPORT

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We have audited the financial statements of the Nebraska Commission for the Blind and Visually Impaired as of and for the fiscal year ended June 30, 2001, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 for the Blind and Visually Impaired, 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 for the Blind and Visually Impaired as of June 30, 2001, 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 5, 2002, on our consideration of the Nebraska Commission for the Blind and Visually Impaired'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.

The accompanying combining statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

March 5, 2002

Pat Reding, CPA
Manager

**NEBRASKA COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED
COMBINED STATEMENT OF ASSETS AND FUND BALANCES
AND OTHER CREDITS ARISING FROM CASH TRANSACTIONS
ALL FUND TYPES AND GENERAL FIXED ASSETS ACCOUNT GROUP**

June 30, 2001

	Governmental		
	<u>Fund Type</u>	<u>Account Group</u>	
	Special	General	Totals
	<u>Revenue</u>	<u>Fixed</u>	<u>(Memorandum</u>
		<u>Assets</u>	<u>Only)</u>
<u>Assets</u>			
Cash in State Treasury	\$ 214,451	\$ -	\$ 214,451
Property, Plant, and Equipment	<u>-</u>	<u>1,044,493</u>	<u>1,044,493</u>
Total Assets	<u>\$ 214,451</u>	<u>\$ 1,044,493</u>	<u>\$ 1,258,944</u>
<u>Fund Balances and Other Credits</u>			
Other Credits:			
Investment in Fixed Assets	\$ -	\$ 1,044,493	\$ 1,044,493
Fund Balances:			
Unreserved, Undesignated	<u>214,451</u>	<u>-</u>	<u>214,451</u>
Total Fund Balances and Other Credits	<u>\$ 214,451</u>	<u>\$ 1,044,493</u>	<u>\$ 1,258,944</u>

The accompanying notes are an integral part of the financial statements.

NEBRASKA COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES**
For the Fiscal Year Ended June 30, 2001

	<u>Governmental Fund Types</u>		Totals
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
RECEIPTS:			
Appropriations	\$ 465,773	\$ -	\$ 465,773
Intergovernmental	-	3,057,578	3,057,578
Sales and Charges	-	52,885	52,885
Miscellaneous	-	65,916	65,916
TOTAL RECEIPTS	<u>465,773</u>	<u>3,176,379</u>	<u>3,642,152</u>
DISBURSEMENTS:			
Personal Services	355,702	1,557,777	1,913,479
Operating	48,214	487,030	535,244
Travel	7,594	147,831	155,425
Capital Outlay	2,292	88,307	90,599
Government Aid	51,971	927,133	979,104
TOTAL DISBURSEMENTS	<u>465,773</u>	<u>3,208,078</u>	<u>3,673,851</u>
Excess of Receipts Over (Under) Disbursements	<u>-</u>	<u>(31,699)</u>	<u>(31,699)</u>
OTHER FINANCING SOURCES (USES):			
Sales of Assets	-	409	409
Net Distributive Activity	-	725	725
Adjustment to Fund Balance	-	245,016	245,016
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>246,150</u>	<u>246,150</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	-	214,451	214,451
FUND BALANCE, JULY 1, 2000	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2001	<u>\$ -</u>	<u>\$ 214,451</u>	<u>\$ 214,451</u>

The accompanying notes are an integral part of the financial statements.

NEBRASKA COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 General, Cash, and Federal Funds
 For the Fiscal Year Ended June 30, 2001

	GENERAL FUND			CASH FUND		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:						
Appropriations		\$ 465,773			\$ -	
Intergovernmental		-			-	
Sales and Charges		-			52,868	
Miscellaneous		-			905	
TOTAL RECEIPTS		<u>465,773</u>			<u>53,773</u>	
DISBURSEMENTS:						
Personal Services		355,702			21,775	
Operating		48,214			11,180	
Travel		7,594			2,241	
Capital Outlay		2,292			9,617	
Government Aid		51,971			6,835	
Total Budgeted	\$ 465,773	465,773	\$ -	\$ 43,500	51,648	\$ (8,148)
Under (Over) Budgeted (Note 8)	-	-	-	50,111	-	50,111
TOTAL DISBURSEMENTS	<u>465,773</u>	<u>465,773</u>	-	<u>93,611</u>	<u>51,648</u>	<u>41,963</u>
Excess of Receipts Over (Under) Disbursements		<u>-</u>			<u>2,125</u>	
OTHER FINANCING SOURCES (USES):						
Adjustments to Fund Balance		-			13,071	
TOTAL OTHER FINANCING SOURCES (USES)		<u>-</u>			<u>13,071</u>	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		-			15,196	
FUND BALANCES, JULY 1, 2000		<u>-</u>			<u>-</u>	
FUND BALANCES, JUNE 30, 2001		<u>\$ -</u>			<u>\$ 15,196</u>	

The accompanying notes are an integral part of the financial statements.

(Continued)

NEBRASKA COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 General, Cash, and Federal Funds
 For the Fiscal Year Ended June 30, 2001

	FEDERAL FUND			TOTALS (MEMORANDUM ONLY)		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:						
Appropriations		\$ -			\$ 465,773	
Intergovernmental		3,057,578			3,057,578	
Sales and Charges		-			52,868	
Miscellaneous		<u>2,733</u>			<u>3,638</u>	
TOTAL RECEIPTS		<u>3,060,311</u>			<u>3,579,857</u>	
DISBURSEMENTS:						
Personal Services		1,513,776		\$ 1,948,685	1,891,253	\$ 57,432
Operating		468,029		530,077	527,423	2,654
Travel		144,793		165,230	154,628	10,602
Capital Outlay		77,189		80,708	89,098	(8,390)
Government Aid		<u>885,432</u>		<u>878,683</u>	<u>944,238</u>	<u>(65,555)</u>
Total Budgeted	\$ 3,094,110	3,089,219	\$ 4,891	3,603,383	3,606,640	(3,257)
Under (Over) Budgeted (Note 8)	<u>512,673</u>	-	<u>512,673</u>	<u>562,784</u>	-	<u>562,784</u>
TOTAL DISBURSEMENTS	<u>3,606,783</u>	<u>3,089,219</u>	<u>517,564</u>	<u>4,166,167</u>	<u>3,606,640</u>	<u>559,527</u>
Excess of Receipts Over (Under) Disbursements		<u>(28,908)</u>			<u>(26,783)</u>	
OTHER FINANCING SOURCES (USES):						
Adjustments to Fund Balance		<u>67,182</u>			<u>80,253</u>	
TOTAL OTHER FINANCING SOURCES (USES)		<u>67,182</u>			<u>80,253</u>	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		38,274			53,470	
FUND BALANCES, JULY 1, 2000		<u>-</u>			<u>-</u>	
FUND BALANCES, JUNE 30, 2001		<u>\$ 38,274</u>			<u>\$ 53,470</u>	

The accompanying notes are an integral part of the financial statements.

(Concluded)

NEBRASKA COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2001

1. **Summary of Significant Accounting Policies**

The accounting policies of the Nebraska Commission for the Blind and Visually Impaired are on the basis of accounting as described in the Nebraska Accounting System Manual.

- A. **Reporting Entity.** The Nebraska Commission for the Blind and Visually Impaired (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 for the Blind and Visually Impaired. No component units were identified. The Nebraska Commission for the Blind and Visually Impaired is part of the primary government for the State of Nebraska's reporting entity.

- B. **Basis of Accounting.** The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The accounting records of the Commission are maintained and the Commission's financial statements were prepared on the basis of cash receipts and disbursements. As such, the measurement focus includes only those assets and fund balances arising from cash transactions on the Combined Statement of Assets and Fund Balances for all funds of the Commission. This differs from governmental generally accepted accounting principles (GAAP) which require all governmental funds to be accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financial sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

Under the cash receipts and disbursement basis of accounting, 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.

- 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.

4000 - Federal Funds - account for all Federal grants and contracts received by the State.

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

6000 - Trust Funds - account for assets held by the State in a trustee capacity. Disbursements are made in accordance with the terms of the trust. No appropriation control is established for this fund type.

- 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. There are no annual budgets prepared for Trust funds. 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.

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, cash, and federal 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 and cash fund appropriations must

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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 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, 2001, 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 are no annual budgets prepared for Trust Funds, and, as a result, no budgetary comparisons are presented.

There is no difference between the fund balance of the Budgetary Statement and the Financial Statement. The cash and federal funds on the Budgetary Statement are appropriately classified as special revenue funds for Financial Statement purposes.

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

- 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, 2001 have been recorded at cost by the Commission. Generally, equipment which has a cost in excess of \$1,500 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.

- 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, except for the Trust fund, were designated for investment during fiscal year 2001.
- G. Adjustments to Fund Balance.** Adjustments to Fund Balance transactions are those recorded directly to a fund's asset account or equity account rather than through a receipt or disbursement account.
- H. Net Distributive Activity.** Net Distributive Activity transactions are those recorded directly to a fund's liability accounts rather than through a receipt or disbursement account. These transactions represent funds received by the Commission which are owed to some individual, organization, or other government agency, or are deposits which will be returned on completion of some specified requirement.
- I. Inventories.** Disbursements for items of an inventory nature are considered expended at the time of purchase rather than at the time of consumption.

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

J. 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 Board 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 for governmental funds. 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.

K. 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.

Intergovernmental. Receipts from other governments in the form of grants, entitlements, shared revenues, payments in lieu of taxes, or reimbursements.

Sales and Charges. Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees.

Miscellaneous. Receipts from sources not covered by other major categories.

L. 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.

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.

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Concluded)

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.

Government Aid. Payment of Federal and/or State money to governmental subdivisions, State agencies, local health and welfare offices, individuals, etc., in furtherance of local activities and accomplishment of State programs.

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, and natural disasters. 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:

- A. 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. State Agencies have the option to purchase coverage for physical damage to vehicles.
- B. The DAS-Personnel Division maintains health care and life insurance for eligible employees.
- C. Crime coverage, with a limit of \$1 million for each loss, and a \$10,000 retention per incident.

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. Contingencies and Commitments (Concluded)

- D. Real and personal property on a blanket basis for losses up to \$250,000,000, with a self-insured retention of \$200,000 per loss occurrence. 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. The perils of flood and earthquake are covered up to \$10,000,000.
- E. State Agencies have the option to purchase building contents and inland marine coverage.

No settlements exceeded commercial insurance coverage in any of the past three fiscal years. Health care insurance is funded in the Compensation Insurance Trust Fund through a combination of employee and State contributions. Workers' compensation is funded in the Workers' Compensation 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 for the Blind and Visually Impaired'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 mandatory for all permanent full-time employees on reaching the age of thirty and completion of twenty-four months of continuous service. Full time employee is defined as an employee who is employed to work one-half or more of the regularly scheduled hours during each pay period. Voluntary membership is permitted for all permanent full-time or permanent part-time employees upon reaching age twenty and completion of twelve months of permanent service within a five-year period. Any individual appointed by the Governor may elect to not become a member of the Plan.

NEBRASKA COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED

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, 2001, employees contributed \$53,595 and the Commission contributed \$84,169.

5. **Net Distributive Activity**

The Commission's net distributive activity for the audit period consists of apartment deposits.

6. **Fixed Assets**

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

	Balance July 1, 2000	Additions	Retirements	Balance June 30, 2001
Equipment	\$ 966,397	\$ 88,031	\$ 9,935	\$ 1,044,493

The beginning balance was transferred to the Commission from the Nebraska Health and Human Services System per Neb. Rev. Stat. Section 71-8612 R.S.Supp., 2000.

7. **Adjustments to Fund Balance**

The Commission's adjustments to fund balance for the audit period consist of transfers from the Nebraska Department of Health and Human Services to the Commission per Neb. Rev. Stat. Section 71-8612 R.S.Supp., 2000, of all cash funds attributable to the Division of Rehabilitation Services for the Visually Impaired as of July 1, 2000.

8. **Under Budgeted**

The total amount budgeted by the Commission on the budget status report for the cash and federal funds was lower as the specific amounts to be transferred to the Commission from the Nebraska Department of Health and Human Services was not known until July 1, 2000.

NOTES TO FINANCIAL STATEMENTS

(Continued)

9. Related Party Transactions

Neb. Rev. Stat. Section 71-8604 R.S.Supp., 2000 requires one Commissioner to be a member or designee of the American Council of the Blind of Nebraska (ACB) and one a member or designee of the National Federation of the Blind of Nebraska (NFB). The Commission has entered into contracts with both organizations to provide services to blind and visually impaired Nebraskans.

The ACB provides a transportation system for the blind and visually impaired who live in rural Nebraska and the Share-A-Fare subsidized taxi coupon program providing transportation for blind and visually impaired residents of Omaha. Payments to ACB for the fiscal year ending June 30, 2001 totaled \$57,912.

The NFB provides a computer training program and a leadership-training program for older Nebraskans who are blind or visually impaired. The Commission also contracted with NFB to develop and broadcast public service announcements promoting programs and services available for older Nebraskans who are blind or visually impaired. The amount paid to NFB during the fiscal year ending June 30, 2001 totaled \$50,000.

10. GASB 34

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. The State of Nebraska is planning to implement the Statement for the fiscal year ending June 30, 2002. The new accounting and reporting standards will impact the State’s revenue and expenditure recognition, and assets, liabilities, and fund equity reporting. The financial statements will be reformatted to reflect the new standards.

NEBRASKA COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED
COMBINING STATEMENT OF ASSETS AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
 ALL SPECIAL REVENUE FUNDS
 June 30, 2001

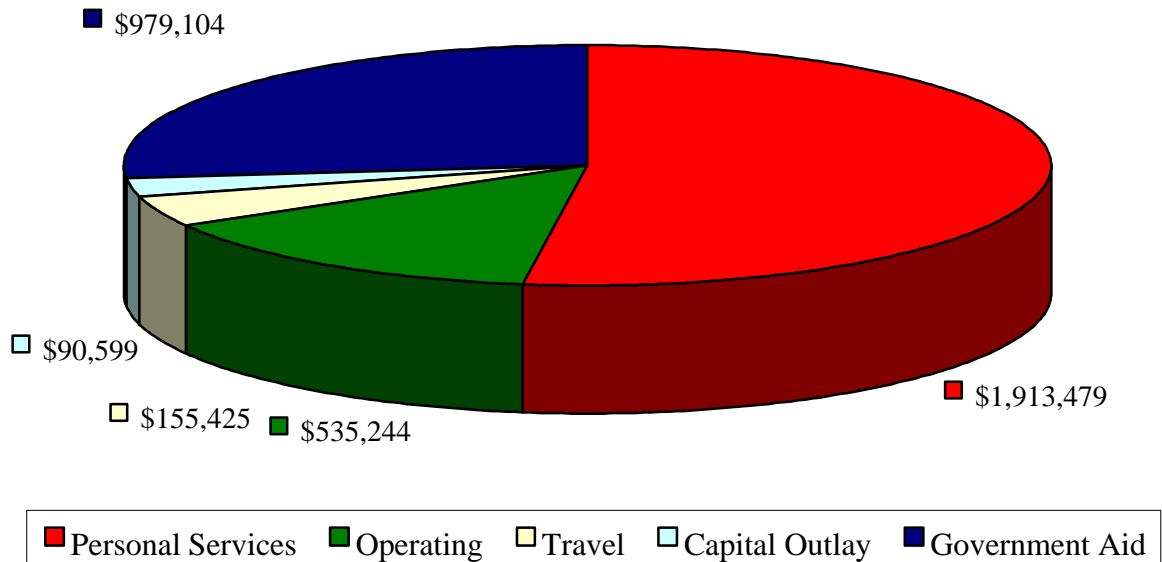
	CBVI Cash Fund 2811	CBVI Federal Fund 4814	CBVI Trust Fund 6840	Total Special Revenue Funds
<hr/> Assets <hr/>				
Cash in State Treasury	\$ 15,196	\$ 38,273	\$ 160,982	\$ 214,451
Total Assets	<u>\$ 15,196</u>	<u>\$ 38,273</u>	<u>\$ 160,982</u>	<u>\$ 214,451</u>
 <hr/> Fund Balances <hr/>				
Fund Balances:				
Unreserved, Undesignated	<u>15,196</u>	<u>38,273</u>	<u>160,982</u>	<u>214,451</u>
Total Fund Balances	<u>\$ 15,196</u>	<u>\$ 38,273</u>	<u>\$ 160,982</u>	<u>\$ 214,451</u>

NEBRASKA COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES**
ALL SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2001

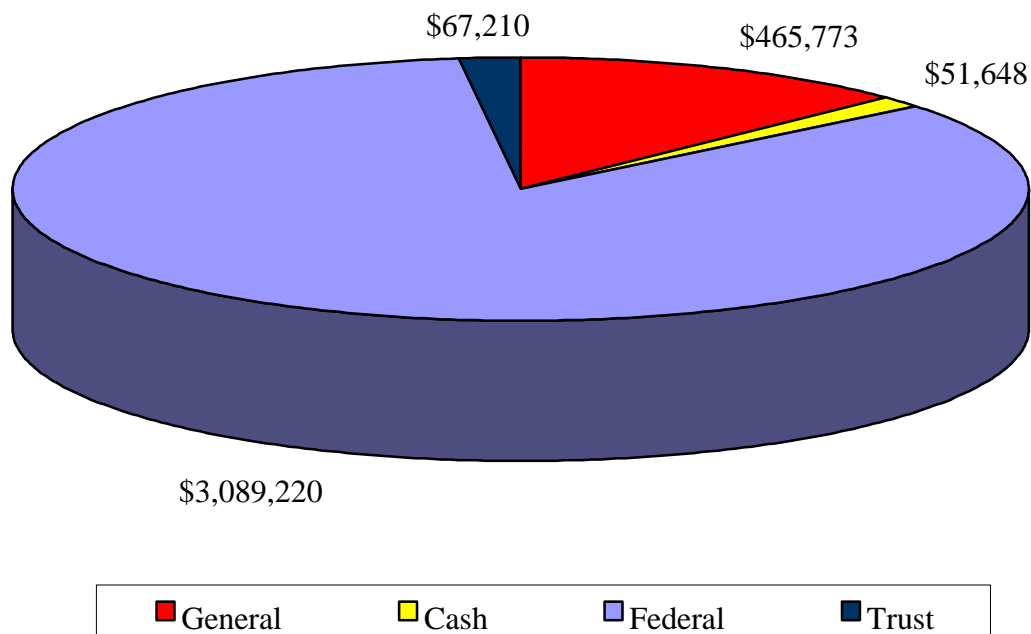
	CBVI Cash Fund 2811	Federal Letter of Credit Fund 4000	CBVI Federal Fund 4814	CBVI Trust Fund 6840	Total Special Revenue Funds
RECEIPTS:					
Intergovernmental	\$ -	\$ 2,867,807	\$ 189,771	\$ -	\$ 3,057,578
Sales and Charges	52,868	-	-	17	52,885
Miscellaneous	905	-	2,733	62,278	65,916
TOTAL RECEIPTS	<u>53,773</u>	<u>2,867,807</u>	<u>192,504</u>	<u>62,295</u>	<u>3,176,379</u>
DISBURSEMENTS:					
Personal Services	21,775	1,513,534	242	22,226	1,557,777
Operating	11,180	370,886	97,143	7,821	487,030
Travel	2,241	120,993	23,800	797	147,831
Capital Outlay	9,617	60,477	16,713	1,500	88,307
Government Aid	6,835	801,917	83,515	34,866	927,133
TOTAL DISBURSEMENTS	<u>51,648</u>	<u>2,867,807</u>	<u>221,413</u>	<u>67,210</u>	<u>3,208,078</u>
Excess of Receipts Over (Under) Disbursements	<u>2,125</u>	<u>-</u>	<u>(28,909)</u>	<u>(4,915)</u>	<u>(31,699)</u>
OTHER FINANCING SOURCES (USES):					
Sales of Assets	-	-	-	409	409
Net Distributive Activity	-	-	-	725	725
Adjustment to Fund Balance	13,071	-	67,182	164,763	245,016
TOTAL OTHER FINANCING SOURCES (USES)	<u>13,071</u>	<u>-</u>	<u>67,182</u>	<u>165,897</u>	<u>246,150</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	15,196	-	38,273	160,982	214,451
FUND BALANCE, JULY 1, 2000	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2001	<u>\$ 15,196</u>	<u>\$ -</u>	<u>\$ 38,273</u>	<u>\$ 160,982</u>	<u>\$ 214,451</u>

NEBRASKA COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED
SCHEDULES OF DISBURSEMENTS BY MAJOR ACCOUNT AND FUND TYPE
 Fiscal Year Ending June 30, 2001

Schedule of Disbursements by Major Account



Schedule of Disbursements by Fund Type



STATE OF NEBRASKA

AUDITOR OF PUBLIC ACCOUNTS



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NEBRASKA COMMISSION FOR THE
BLIND AND VISUALLY IMPAIRED
**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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We have audited the financial statements of the Nebraska Commission for the Blind and Visually Impaired as of and for the year ended June 30, 2001, and have issued our report thereon dated March 5, 2002. 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 for the Blind and Visually Impaired. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Nebraska Commission for the Blind and Visually Impaired'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 for the Blind and Visually Impaired in the Comments Section of this report as Comment Number 1 (Questioned Costs), Comment Number 3 (Cash Fund Set-Aside), Comment Number 4 (Legislative Restrictions of Appropriations), and Comment Number 5 (Leave balances).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Commission for the Blind and Visually Impaired'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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Nebraska Commission for the Blind and Visually Impaired's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the Comments Section of the report as Comment Number 2 (Segregation of Duties over Disbursements).

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness. We also noted other matters involving internal control over financial reporting that we have reported to management of the Nebraska Commission for the Blind and Visually Impaired in the Comments Section of the report as Comment Number 3 (Cash Fund Set-Aside).

This report is intended solely for the information and use of the Commission, 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.

Pat Reding, CPA

Manager

March 5, 2002