

**ATTESTATION REPORT
OF THE
NEBRASKA HIGHWAY COMMISSION
JULY 1, 2003 THROUGH JUNE 30, 2004**

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Issued on April 7, 2005

NEBRASKA HIGHWAY COMMISSION

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NEBRASKA HIGHWAY COMMISSION

EXIT CONFERENCE

An exit conference was held March 15, 2005 with the Commission to discuss the results of our examination. Those in attendance for the Nebraska Highway Commission were:

NAME	TITLE
Shirley Schafer	Executive Secretary
Stephen Maraman	Finance Administrator

NEBRASKA HIGHWAY COMMISSION

COMMENT AND RECOMMENDATION

During our examination of the Nebraska Highway Commission, we noted a certain matter involving the internal control over financial reporting and other operational matters which is presented here.

Commission Expenses

Neb. Rev. Stat. Section 81-1174 R.S.Supp., 2003, regarding travel reimbursements states, "Each request shall be fully itemized, including when, where, and why the expense was incurred and the actual amount involved . . . the points between which such travel occurred, the times of arrival and departure, and the necessity and purpose of such travel shall be shown on such request . . . The statement of expenses shall be duly verified and supported by receipts." Nebraska State Accounting Manual AM-005, Travel Expense Policies, states, "Under our accountable plan, the Internal Revenue Service require employees to substantiate the cost for travel, lodging, meals, and other expenses. Adequate accounting generally requires the use of a documentation record such as an accounting book, expense diary or log, or similar record near the time of incurrence of the expense. Such log should list the date, amount, place (e.g. city) or description, and purpose for each expense or meal/food cost. A combination of receipts and detailed itemization is permitted." Good internal control requires procedures to ensure all reimbursements are reasonable and necessary expenses and that adequate supporting documentation be maintained.

During testing of nine expense reimbursement documents we noted:

- Two documents did not contain a meal log or receipts as supporting documentation. One of these documents had meal reimbursements of \$40 per day when the Federal guideline was \$38 per day and several of the meals were provided by the conference.
- Mileage reimbursements for two documents appeared excessive. One Commissioner was reimbursed 50 miles for a roundtrip between Grand Island and Wood River when map mileage is 32 miles and one Commissioner was reimbursed 100 miles for a roundtrip between Gering and Kimball when map mileage is 84 miles.
- One reimbursement for out-of-state travel did not indicate the times for arrival and departure, and did not have adequate documentation for airfare reimbursed.

Inadequate documentation increases the risk for misuse of State funds. Without an adequate accounting of meal expenses, the State could lose its accountable plan status. If the State does not have an accountable plan, the amounts reimbursed to employees would be considered as taxable income. A similar finding was noted in our prior report.

We recommend the Commission implement procedures to ensure compliance with State requirements, maintain adequate supporting documentation, and ensure all expenses are reasonable and necessary.

NEBRASKA HIGHWAY COMMISSION

COMMENT AND RECOMMENDATION

(Continued)

Commission Expenses (Concluded)

Commission's Response:

- *As noted in the opening paragraph of the audit report observation, reimbursements are for “. . . the actual amount involved”. This is the basis of reimbursement utilized by the State and our agency. Documentation of these expenses is the responsibility of the employee (Commissioner). We will work with the Secretary of the State Highway Commission to insure that appropriate and adequate documentation is retained concerning meals.*
- *Mileage calculations performed by the Auditor of Public Accounts fail to recognize “at destination” mileage. While a mileage variance of 10% is included in the audit calculation, when applied to short mileage situations, this percentage is inadequate to reflect movement within the destination town/city. Every attempt will be made to document accurate mileage for which reimbursement is requested.*
- *All future reimbursement claims will include appropriate and adequate documentation.*

It should be noted this report is critical in nature as it contains only our comment and recommendation on the area 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 comment and recommendation included in this report. The formal response received has been incorporated into this report. The response has been objectively evaluated and recognized, as appropriate, in the report. A response that indicates corrective action has been taken was not verified at this time but will be verified in the next examination.

We appreciate the cooperation and courtesy extended to our staff during the course of the examination.

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NEBRASKA HIGHWAY COMMISSION

INDEPENDENT ACCOUNTANT'S REPORT

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Nebraska Highway Commission
Lincoln, Nebraska

We have examined the accompanying schedule of expenditures of the Nebraska Highway Commission (Commission) for the fiscal year ended June 30, 2004. The Commission's management is responsible for the schedule of expenditures. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and accordingly, included examining, on a test basis, evidence supporting the schedule of expenditures and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedule referred to above presents, in all material respects, the expenditures of the Nebraska Highway Commission for the fiscal year ended June 30, 2004, based on the accounting system and procedures prescribed by the State of Nebraska Director of Administrative Services as described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2005, on our consideration of the Nebraska Highway Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant

agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an attestation engagement performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our examination.

This report is intended solely for the information and use of the Commission and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

Pat Reding, CPA

Assistant Deputy Auditor

March 15, 2005

NEBRASKA HIGHWAY COMMISSION
SCHEDULE OF EXPENDITURES
For the Fiscal Year Ended June 30, 2004

EXPENDITURES:	
Personal Services	\$ 61,312
Operating	4,135
Travel	<u>21,336</u>
TOTAL EXPENDITURES	<u><u>\$ 86,783</u></u>

The accompanying notes are an integral part of the schedule.

NEBRASKA HIGHWAY COMMISSION

NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2004

1. Criteria

The accounting policies of the Nebraska Highway Commission are on the basis of accounting as prescribed by the State of Nebraska Department of Administrative Services (DAS).

Per Neb. Rev. Stat. Section 81-1107(2) R.R.S. 1999, the State of Nebraska Director of Administrative Services duties include “The keeping of general accounts and the adoption and promulgation of appropriate rules, regulations, and administrative orders designed to assure a uniform and effective system of accounts and accounting, the approval of all vouchers, and the preparation and issuance of warrants for all purposes.”

The Nebraska Information System (NIS) is the official accounting system prescribed by DAS for the State of Nebraska. Policies and procedures are detailed in NIS manuals and Nebraska Accounting System Concepts published by DAS and available to the public. The financial information used to prepare the schedule of expenditures for the Commission was obtained directly from the NIS. NIS records accounts payable as transactions occur. As such expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows. The accounts payable liability recorded on NIS, and thus recorded as expenditures, as of June 30, 2004 includes only those payables posted to NIS before June 30, 2004 and not yet paid as of that date. The amount recorded as expenditures as of June 30, 2004 **does not** include amounts for goods and services received before June 30, 2004 which had not been posted to NIS as of June 30, 2004.

The major expenditure object account titles established by NIS used by the Commission are:

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

Operating – Expenditures directly related to a program’s primary service activities.

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

2. Reporting Entity

The Nebraska Highway Commission (Commission) is legislatively 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 schedule includes all expenses of the Commission.

The Nebraska Highway Commission is part of the primary government for the State of Nebraska.

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NEBRASKA HIGHWAY COMMISSION
**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
EXAMINATION OF THE SCHEDULE OF EXPENDITURES
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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Nebraska Highway Commission
Lincoln, Nebraska

We have examined the accompanying schedule of expenditures of the Nebraska Highway Commission for the fiscal year ended June 30, 2004, and have issued our report thereon dated March 15, 2005. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our examination, we considered the Nebraska Highway Commission's internal control over financial reporting in order to determine our procedures for the purpose of expressing our opinion on the schedule of expenditures and not to provide an opinion 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 reportable 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 caused by error or fraud in amounts that would be material in relation to the financial schedule being examined 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nebraska Highway Commission's schedule of expenditures, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our examination, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain additional item that we reported to management of the Nebraska Highway Commission in the Comments Section of this report as Commission Expenses.

This report is intended solely for the information and use of the Commission and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

Pat Reding, CPA

Assistant Deputy Auditor

March 15, 2005

NEBRASKA HIGHWAY COMMISSION

STATISTICAL SECTION

Our examination was conducted for the purpose of forming an opinion on the schedule of expenditures. Statistical Section information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination of the schedule of expenditures, and, accordingly, we express no opinion on it.

NEBRASKA HIGHWAY COMMISSION
SCHEDULE OF EXPENDITURES BY COMMISSIONER
For the Fiscal Year Ended June 30, 2004

	<u>Per Diems</u>	<u>Operating</u>	<u>Travel</u>	<u>Total</u>
Duane Acklie, Lincoln	\$ 720	\$ -	\$ 1,910	\$ 2,630
Ronald Books, North Platte	540	-	2,024	2,564
Jerome Fagerland, Atkinson	400	-	1,533	1,933
John Kingsbury, Ponca	540	-	1,527	2,067
Doug Leafgreen, Gering	520	-	3,587	4,107
Richard Reiser, Omaha	360	-	597	957
Donna Wanitschke, Grand Island	580	-	961	1,541
Greg Wolford, McCook	520	-	2,518	3,038
	<u>Salary & Benefits</u>			
Commission Secretary	57,132	-	384	57,516
Other (furniture, direct bills, misc.)	<u>-</u>	<u>4,135</u>	<u>6,295</u>	<u>10,430</u>
Total	<u>\$ 61,312</u>	<u>\$ 4,135</u>	<u>\$ 21,336</u>	<u>\$ 86,783</u>