

**AUDIT REPORT
OF THE
NEBRASKA BOARD OF
ENGINEERS AND ARCHITECTS**

JULY 1, 1998 THROUGH JUNE 30, 1999

NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS

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NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS

BACKGROUND

The Board of Examiners for Professional Engineers and Architects was created by the Legislature in 1937. In 1997, Legislation changed the name to the Board of Engineers and Architects. The Board consists of eight members appointed by the Governor to five-year terms. Four of the eight members are professional engineers, three are professional architects, and one is a public member. An architecture professor and an engineering professor from the University of Nebraska serve as members. They are recommended by their colleges' deans. Board members must be U.S. citizens who have lived in Nebraska for at least a year. Members must be licensed and active in engineering or architecture for at least ten years, and must have been in responsible charge of engineering or architecture work for at least five years.

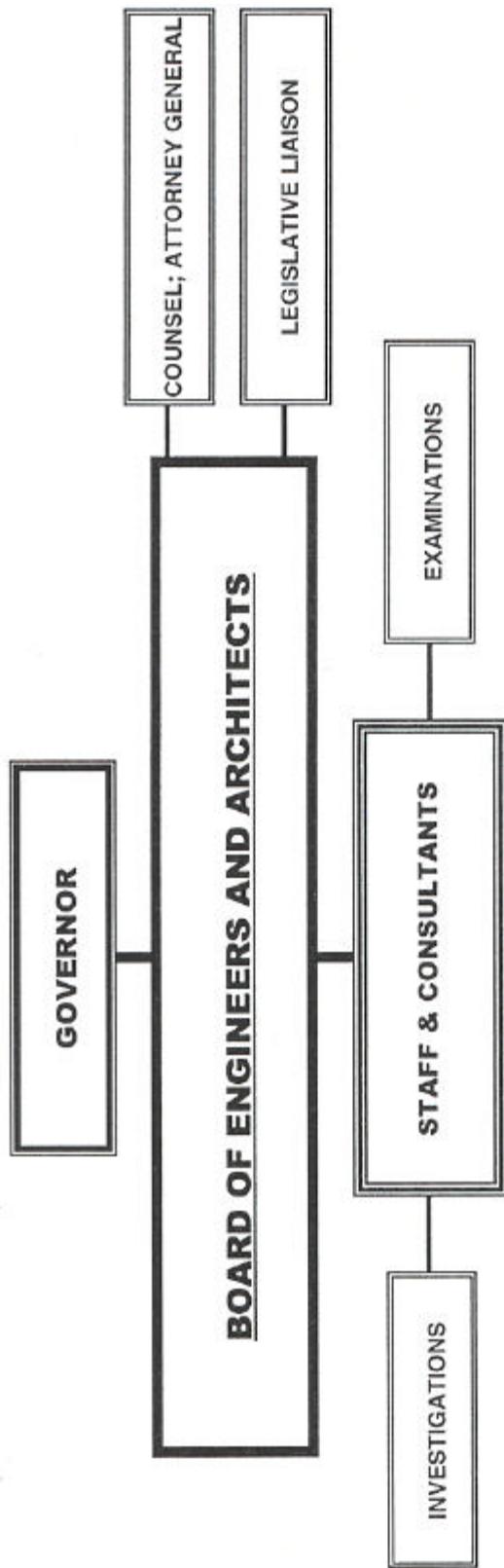
The purpose of the Board is to enforce and administer the laws regulating professional engineers and architects by processing applications, administering examinations to applicants, and registering engineers and architects. The Board also investigates any complaints against engineers and architects to insure that the statutory code of practice is not violated.

MISSION STATEMENT

The Board's mission is to safeguard life, health, and property where engineering and architecture are involved. This is accomplished, in large part, by assuring that the education, experience, and examination of those who practice qualifies them to serve the public.

NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS

ORGANIZATIONAL CHART



NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS

SUMMARY OF COMMENTS

During our audit of the Nebraska Board of Engineers and Architects, 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. ***Segregation of Duties Over Receipts:*** One individual could handle all phases of a transaction from beginning to end. There was no independent review of receipts to ensure all monies received were deposited.
2. ***Deposits Not Within Ten Days:*** Money received for six out of fifteen receipts tested was not deposited within ten days. The deposits ranged from one to eight days late, and the six late receipts tested totaled \$450.
3. ***Performance Measures:*** Adequate supporting documentation was not on file to support the performance measures used in the formal budget.

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 Board 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 Board 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.

NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS

COMMENTS AND RECOMMENDATIONS

1. Segregation of Duties Over Receipts

Good internal control requires a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records. A good system of internal control could include an adequate segregation of duties so no one individual can handle all phases of a transaction from beginning to end.

We noted segregation of duties over receipts was not adequate. One person was responsible for opening the mail, receipting money for renewals, and mailing the receipt and pocket card to the licensee. There was no independent review to ensure all monies received were receipted and deposited. A similar comment was noted in our prior audit.

The possibility of the loss or misuse of State assets and funds is increased when there is no independent review of receipts.

We recommend the Board implement procedures to include an independent review of receipts to ensure all monies received are receipted and deposited.

BOARD'S RESPONSE: WE HAVE SEEN THIS COMMENT BEFORE AND HAVE WORKED TO INSTITUTE PROCEDURES THAT SAFEGUARD RECEIPTS COMING INTO THE AGENCY, WITHIN OUR STAFFING CONSTRAINTS. 1) PHYLLIS JONES OPENS THE MAIL AND IMMEDIATELY STAMPS THE ENDORSEMENT, "PAY TO THE ORDER OF THE STATE TREASURER OF NEBR. NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS" ON THE BACK OF EVERY CHECK; SHE ATTACHES ANY CASH RECEIPTS (WHICH ARE FEW) TO THE ACCOMPANYING ORDER DOCUMENT. 2) THE CHECKS AND CASH ARE THEN GIVEN TO GLORIA DOUGHERTY WHO WRITES RECEIPTS FOR EACH ITEM. 3) THE CHECKS AND CASH ARE GIVEN TO JEANNE VLIET WHO PRODUCES THE DEPOSIT DOCUMENTS; THE ORDER DOCUMENTS ARE GIVEN TO SHELLY NORVAL OR CHARLES NELSON WHO PRODUCE THE PRODUCT, IF SUCH PRODUCTION IS REQUIRED. 4) GLORIA DOUGHERTY DELIVERS THE DEPOSIT TO THE STATE TREASURER'S OFFICE. 5) THE FINAL CHECK IN THE SYSTEM IS THE CUSTOMER WHO, IN VIRTUALLY EVERY CASE, RECEIVES A PRODUCT (CERTIFICATE, POCKET CARD, ETC.) AND A RECEIPT; IF THESE ITEMS ARE NOT SUPPLIED, WE ARE SURE TO HEAR ABOUT IT.

WE ARE CURRENTLY WORKING ON A SYSTEM OF BAR-CHART SCANNING FOR USE WITH LICENSE RENEWALS, WHICH WILL AUTOMATE AND ACCELERATE THAT PROCESS, BUT WILL ALSO HAVE THE POTENTIAL OF BETTER CONTROL OVER RECEIPTS. IT IS PLANNED THAT THIS SYSTEM WILL BE IN PLACE FOR RENEWALS AT THE END OF THIS YEAR.

2. Deposits Not Within Ten Days

State Statute 81-118 R.R.S. 1996, states, "The gross amount of money received by every department, from whatever source, belonging to or for the use of the State, shall be paid into the state treasury, without delay, not later in any event than ten days after the receipt of the same, without any deduction on account of salaries, fees, costs, charges, expenses or claims of any

NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS

COMMENTS AND RECOMMENDATIONS

2. Deposits Not Within Ten Days (Concluded)

description whatever.” Effective August 28, 1999 State Statute 84-710 R.R.S. 1999 requires receipts be deposited within three days if the aggregate deposit is greater than \$500, and within seven days if less than \$500.

During our audit, we noted 6 out of 15 receipts tested were not deposited within ten days from receipt. The deposits ranged from one to eight days late and totaled \$450. The aggregate deposits were all greater than \$15,000 and totaled \$118,818. A similar comment was noted in our prior audit.

We recommend the Board implement procedures to ensure money received is deposited within the time frame required by State Statute.

BOARD'S RESPONSE: THE BAR-CHART SCANNING SYSTEM MENTIONED ABOVE WILL SPEED THE PROCESSING OF RENEWALS WHICH HAPPEN OVER A TWO-MONTH PERIOD AT THE END OF THE YEAR. THIS WILL ENABLE MORE TIMELY DEPOSIT OF THOSE FUNDS WHEN THE SYSTEM IS FULLY IMPLEMENTED. IN THE MEANTIME, WE WILL CONTINUE TO ENDEAVOR TO DEPOSIT FUNDS AS REQUIRED BY LAW.

3. Performance Measures

A key responsibility of state government is to develop and manage services, programs, and resources as efficiently and effectively as possible, and to communicate the results of these efforts to the public. Good internal control requires adequate supporting documentation be maintained to ensure performance measures included in the formal budget are correct.

During our audit, we noted the Board was unable to provide adequate supporting documentation to support the performance measures included in the formal budget. Without adequate supporting documentation, auditors were unable to determine whether the performance measures reported were reasonable. A similar comment was noted in our prior audit.

We recommend the Board implement procedures to ensure adequate documentation is maintained to support the performance measures used in the formal budget.

BOARD'S RESPONSE: CONFUSION ABOUT PERFORMANCE MEASURES STEMMED FROM NUMBERS FOUND IN THE BUDGET SUBMITTAL. WE SHOW 7,642 LICENSEES, BUT HAD ONLY ABOUT 6,500 INDIVIDUAL ENGINEERS AND ARCHITECTS LICENSED IN NEBRASKA DURING THE PERIOD BEING AUDITED. ALSO, WE HAD NO WAY OF DETERMINING HOW MANY ENGINEERS AND ARCHITECTS RENEWED THEIR LICENSES ON ANY GIVEN RENEWAL DATE.

NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS

COMMENTS AND RECOMMENDATIONS

3. Performance Measures (Concluded)

BOTH DIFFICULTIES ARE EXPLAINED BY THE FACT THAT WE LICENSE MORE THAN JUST INDIVIDUALS THAT PRACTICE THE PROFESSIONS. THE INDIVIDUAL LICENSEES ARE LICENSED FOR TWO YEARS ON A STAGGERED BASIS, THOSE WITH LAST NAMES BEGINNING WITH A THROUGH K ON EVEN YEARS, AND L THROUGH Z ON ODD YEARS. AUTHORIZATION CERTIFICATES ARE RENEWABLE ON A ROLLING CLOCK, SO THAT THEY LAPSE TWO YEARS AFTER THE DATE OF ISSUANCE UNLESS RENEWED. TEMPORARY PERMITS TO PRACTICE ENGINEERING ARE GOOD FOR UP TO ONE YEAR, BUT SOME ARE FOR LESS. EMERITUS MEMBERS RENEW ON JUNE 1 OF EACH YEAR. THE ONLY ACCURATE QUANTITY IS THAT WHICH EXISTS ON ANY GIVEN DAY – FOR THE SAKE OF AUDIT, PROBABLY THE LAST DAY OF THE AUDITED PERIOD. UNFORTUNATELY, WE CANNOT RECREATE THOSE FIGURES AFTER THE FACT. THOSE FIGURES FOR TODAY, JUNE 26, 2000 ARE:

ARCHITECTS LICENSED TO PRACTICE IN NEBRASKA.....	1,585
ENGINEERS LICENSED TO PRACTICE IN NEBRASKA.....	5,394
AUTHORIZATION CERTIFICATES FOR CORPORATIONS TO PRACTICE IN NEBRASKA	956
TEMPORARY PERMITS TO PRACTICE ENGINEERING IN NEBRASKA.....	35
EMERITUS ENGINEERS AND ARCHITECTS.....	<u>193</u>
TOTAL	8,163

STATE OF NEBRASKA
Auditor of Public Accounts



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NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of the Nebraska Board of Engineers and Architects as of and for the fiscal year ended June 30, 1999, as listed in the Table of Contents. These financial statements are the responsibility of the Board'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 Board of Engineers and Architects, 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 Board of Engineers and Architects as of June 30, 1999, 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 June 13, 2000, on our consideration of the Nebraska Board of Engineers and Architect's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The accompanying schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been marked "Unaudited" and accordingly, we do not express an opinion on the schedule.

Pat Reding, CPA

June 13, 2000

Manager

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

June 30, 1999

	Fund Types	Governmental		Totals (Memorandum Only)	
		Account Group			
		General	Fixed		
	Special Revenue	Assets	Assets		
Assets					
Cash in State Treasury	\$ 562,080	\$ -	-	\$ 562,080	
Deposit with Vendors	1,164	-	-	1,164	
Property, Plant, and Equipment	-	69,416	69,416	69,416	
Total Assets	563,244	69,416	69,416	632,660	
Fund Balances and Other Credits					
Other Credits,					
Investment in Fixed Assets	\$ -	\$ 69,416	\$ 69,416		
Fund Balances:					
Reserved For Postage	1,164	-	-	1,164	
Unreserved, Undesignated	562,080	-	-	562,080	
Total Fund Balances and Other Credits	\$ 563,244	\$ 69,416	\$ 69,416	\$ 632,660	

See Notes to Financial Statements.

NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS
STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 1999

	<u>Special Revenue Fund</u>
RECEIPTS:	
Sales and Charges:	
Engineer Professional	\$ 38,425
Engineer Renewals	331,871
Architect Renewals	94,545
Other	44,825
Miscellaneous:	
Investment Interest	27,465
Other	6,736
TOTAL RECEIPTS	<u>543,867</u>
DISBURSEMENTS:	
Personal Services	153,552
Operating	120,950
Travel	16,162
Capital Outlay	17,783
TOTAL DISBURSEMENTS	<u>308,447</u>
Excess of Receipts Over Disbursements	<u>235,420</u>
OTHER FINANCING SOURCES (USES),	
Operating Transfers Out	(44,941)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(44,941)</u>
Excess of Receipts Over Disbursements and Other Financing Uses	190,479
FUND BALANCE, JULY 1, 1998	<u>372,765</u>
FUND BALANCE, JUNE 30, 1999	\$ 563,244

See Notes to Financial Statements.

NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 For the Year Ended June 30, 1999

	CASH FUND 2581		
	ACTUAL	VARIANCE	
	(BUDGETARY	FAVORABLE	
	BUDGET	BASIS)	(UNFAVORABLE)
RECEIPTS:			
Sales and Charges:			
Engineer Professional	\$ 38,425		
Engineer Renewals	331,871		
Architect Renewals	94,545		
Other	44,825		
Miscellaneous:			
Investment Interest	27,465		
Other	6,736		
TOTAL RECEIPTS	543,867		
DISBURSEMENTS:			
Personal Services	\$ 204,261	153,552	\$ 50,709
Operating	111,370	120,950	(9,580)
Travel	12,000	16,162	(4,162)
Capital Outlay	18,095	17,783	312
Total Budgeted	345,726	308,447	37,279
Under Budgeted (Note 7)	59,020	-	59,020
TOTAL DISBURSEMENTS	404,746	308,447	96,299
Excess of Receipts Over (Under) Disbursements		235,420	
OTHER FINANCING SOURCES (USES),			
Operating Transfers Out		(44,941)	
TOTAL OTHER FINANCING SOURCES (USES)		(44,941)	
Excess of Receipts Over Disbursements and Other Financing Uses		190,479	
FUND BALANCES, JULY 1, 1998		372,765	
FUND BALANCES, JUNE 30, 1999	\$ 563,244		

See Notes to Financial Statements.

NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 1999

1. Summary of Significant Accounting Policies

The accounting policies of the Nebraska Board of Engineers and Architects are on the basis of accounting as described in the Nebraska Accounting System Manual.

A. Reporting Entity. The Nebraska Board of Engineers and Architects (the Board) is a State agency established under and governed by the laws of the State of Nebraska. As such, the Board is exempt from State and Federal income taxes. The financial statements include all funds of the Board. The Board has also considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the Board, or the significance of their relationship with the Board 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 Board 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 Board.

These financial statements present the Nebraska Board of Engineers and Architects. No component units were identified. The Nebraska Board of Engineers and Architects is part of the primary government for the State of Nebraska's reporting entity.

B. Basis of Accounting. The accounting records of the Board are maintained and the Board'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.

C. Fund Accounting. The accounts and records of the Board 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 record 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:

NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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 Board.

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 Board are:

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 Board 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. The Governor's budget bill is submitted to the Legislature in January. The Legislature considers revisions to the bill and submits the revised appropriation bill to the Governor for signature. The Governor can either: a) approve the appropriation 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 majority of the Legislature.

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

NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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 cash fund type are made pursuant to the appropriations that 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.

The Board 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 Board'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 Board'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, 1999, 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.

Receipts are not budgeted, therefore, no budgeted amounts show 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 purpose.

NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS

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, 1999, have been recorded at cost by the Board. Generally, equipment which 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 do 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 or not a fund is considered designated for investment is done on an individual fund basis. The fund of the Board was designated for investment during fiscal year 1999.

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 Board 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 be reported in the Long Term Debt Account Group are not reported as 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 Board are:

NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

Sales and Charges. Income derived from sales of merchandise and charges for various engineer and architecture examinations, licenses, permits, and fees.

Miscellaneous. Receipts from sources not covered by other major categories, such as investment income.

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

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 balance are established to identify the existence of assets that have been legally segregated for specific purposes. Reservations of fund balance are also established for assets which are not current in nature, such as postage deposits.

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 Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees;

NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. Contingencies and Commitments (Concluded)

natural disasters; and health care insurance. The Board, 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 has chosen not to purchase insurance except 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.
3. Employee dishonesty which is bonded for the first \$1 million annually with a \$10,000 retention per incident.
4. Real and personal property on a blanket basis including the perils of Flood and Earthquake for net loss in excess of \$100,000 per loss occurrence, with a limit of \$250,000,000 per loss occurrence. Newly acquired properties are only covered up to \$1,000,000 for 30 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. Workers 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, and destruction of assets; errors and 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 Board of Engineers and Architect's financial statements.

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

NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS

NOTES TO FINANCIAL STATEMENTS

(Continued)

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 through 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 twelve months of service within a five-year period, except any individual appointed by the Governor may elect not to become a member of the Plan.

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 Board 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, 1999, employees contributed \$5,356 and the Board contributed \$8,355.

5. Fixed Assets

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

	Balance July 1, 1998	Additions	Retirements	Balance June 30, 1999
Equipment	\$ 55,419	\$ 14,225	\$ 228	\$ 69,416

6. Operating Transfer Out

The Board of Engineers and Architects was required by State Statute Section 33-150 to transfer to the State's General Fund, 5% of fees collected during fiscal year 1999.

NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS

NOTES TO FINANCIAL STATEMENTS

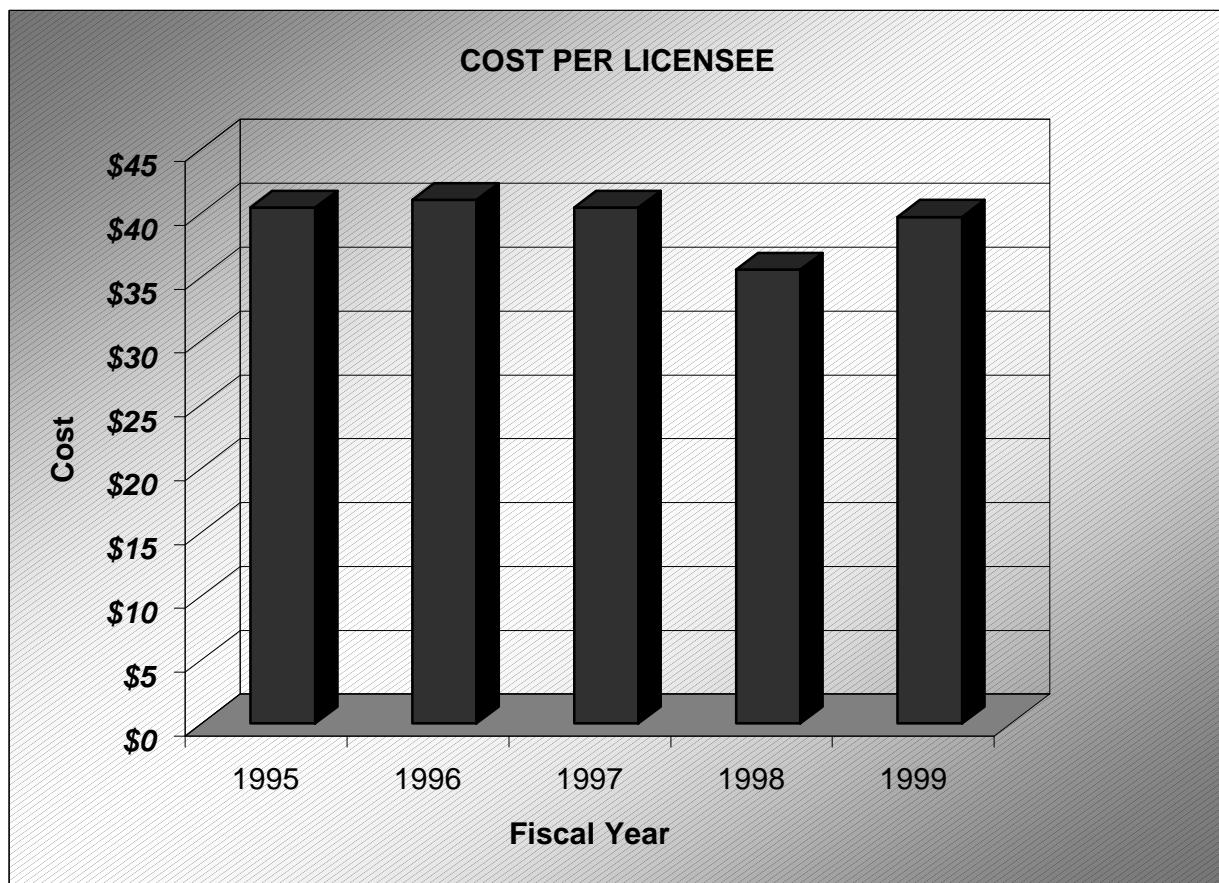
(Continued)

7. Underbudgeted

Budgeted expenditures on the Statement of Receipts, Disbursements, and Changes in Fund Balance Budget and Actual are amounts reflected in the Board's Budget Status Report for fiscal year 1999. The difference between the legislative appropriation is based on anticipated appropriation needs two years in advance while budgeted expenditures on the Budget Status Report are based on more current information available to management.

NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS
SCHEDULE OF COST PER LICENSEE
 For Fiscal Years Ended June 30, 1995 through 1999
UNAUDITED

SCHEDULE



	Fiscal Year				
	1995	1996	1997	1998	1999
Licensees	6,135	6,284	6,400	7,642	7,772
Expenditures	\$ 248,000	\$ 257,700	\$ 258,570	\$ 271,534	\$ 308,447
Cost Per Licensee	\$ 40.42	\$ 41.01	\$ 40.40	\$ 35.53	\$ 39.69

NOTE: Performance measures for the Board were included in the formal budget. However, the Board was unable to provide support for the number of licensees and accordingly, the schedule is "Unaudited."

STATE OF NEBRASKA
Auditor of Public Accounts



Kate Witek
State Auditor
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NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS
**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 Board of Engineers and Architects as of and for the year ended June 30, 1999, and have issued our report thereon dated June 13, 2000. The report notes the financial statements were prepared on the basis of cash receipts and disbursements, was modified to emphasize that the financial statements present only the funds of the Nebraska Board of Engineers and Architects and an explanatory paragraph was added disclaiming an opinion on Required Supplementary Information-Year 2000 issues. 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 Board of Engineers and Architect'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. We also noted certain immaterial instances of noncompliance that we have reported to management of the Nebraska Board of Engineers and Architects in the Comments Section of this report as Comment Number 2 (Deposits Not Within Ten Days).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Board of Engineers and Architect'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 Board of Engineers and Architect'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 1 (Segregation of Duties Over Receipts).

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 the reportable condition described above is not a material weakness.

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.

Pat Reding, CPA

Manager

June 13, 2000