

**AUDIT REPORT  
OF THE  
NEBRASKA DEPARTMENT OF REVENUE  
CHARITABLE GAMING INVESTIGATION  
PETTY CASH FUND**

**JULY 1, 2000 THROUGH JUNE 30, 2001**

NEBRASKA DEPARTMENT OF REVENUE  
CHARITABLE GAMING INVESTIGATION PETTY CASH FUND

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NEBRASKA DEPARTMENT OF REVENUE  
CHARITABLE GAMING INVESTIGATION PETTY CASH FUND

**BACKGROUND**

The Charitable Gaming Division of the Nebraska Department of Revenue was established in 1986 to regulate charitable gaming activities in Nebraska. The Division administers and regulates gaming activities including bingo; lottery by pickle card; nonprofit lotteries and raffles; county, city, and village lotteries (keno); and gift enterprises.

The Charitable Gaming Investigation Petty Cash Fund (Petty Cash Fund) was established by Neb. Rev. Stat. Section 9-1,105, R.R.S. 1997. The Petty Cash Fund is used to purchase information and evidence relating to charitable gaming violations, to pay charges associated with attending a bingo event for the purpose of obtaining information relating to charitable gaming violations, and to pay charges associated with gathering information pertaining to investigations of charitable gaming violations.

**MISSION STATEMENT**

The Charitable Gaming Division's mission is to oversee all charitable gaming activities to ensure fair play, to collect the gaming revenues owed to the state, to prevent potential undesirable organizations or individuals from engaging in gaming activities, and to provide information to the public on what is required to conduct a legal gaming activity.

# STATE OF NEBRASKA

## AUDITOR OF PUBLIC ACCOUNTS

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P.O. Box 98917  
State Capitol, Suite 2303  
Lincoln, NE 68509  
402-471-2111, FAX 402-471-3301  
[www.auditors.state.ne.us](http://www.auditors.state.ne.us)

**Kate Wittek**  
State Auditor  
[kwittek@mail.state.ne.us](mailto:kwittek@mail.state.ne.us)

### NEBRASKA DEPARTMENT OF REVENUE CHARITABLE GAMING INVESTIGATION PETTY CASH FUND

#### INDEPENDENT AUDITORS' REPORT

**Deann Haeffner, CPA**  
Deputy State Auditor  
[haeffner@mail.state.ne.us](mailto:haeffner@mail.state.ne.us)

**Don Dunlap, CPA**  
Asst. Deputy Auditor  
[aud1010@vmhost.cdp.state.ne.us](mailto:aud1010@vmhost.cdp.state.ne.us)

**Pat Reding, CPA**  
Asst. Deputy Auditor  
[aud1008@vmhost.cdp.state.ne.us](mailto:aud1008@vmhost.cdp.state.ne.us)

**Mary Avery**  
SAE/Finance Manager  
[MaryJAvery@aol.com](mailto:MaryJAvery@aol.com)

**Dennis Meyer**  
Budget Coordinator  
[dmeyer@mail.state.ne.us](mailto:dmeyer@mail.state.ne.us)

**Mark Avery**  
Subdivision Audit  
Review Coordinator  
[mavery@mail.state.ne.us](mailto:mavery@mail.state.ne.us)

**Robert Hotz, JD**  
Legal Counsel  
[robhotz@mail.state.ne.us](mailto:robhotz@mail.state.ne.us)

We have audited the financial statement of the Nebraska Department of Revenue - Charitable Gaming Investigation Petty Cash Fund as of and for the fiscal year ended June 30, 2001, as listed in the Table of Contents. The financial statement is the responsibility of the Nebraska Department of Revenue's management. Our responsibility is to express an opinion on the financial statement 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.

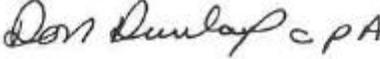
As discussed in Note 1, the financial statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Also as discussed in Note 1, the financial statement presents only the Nebraska Department of Revenue - Charitable Gaming Investigation Petty Cash Fund, and is 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 statement referred to above presents fairly, in all material respects, the fund balance of the Nebraska Department of Revenue - Charitable Gaming Investigation Petty Cash Fund 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 August 9, 2001, on our consideration of the Nebraska Department of Revenue - Charitable Gaming Investigation Petty Cash Fund'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.

August 9, 2001

  
Manager

NEBRASKA DEPARTMENT OF REVENUE  
 CHARITABLE GAMING DIVISION PETTY CASH FUND  
**STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CHANGES IN FUND BALANCE**  
 For the Fiscal Year Ended June 30, 2001

Receipts:	
Interest Income	\$ 51
Winnings	<u>3</u>
Total Receipts	<u>54</u>
Disbursements:	
Investigative Expenses	<u>85</u>
Total Disbursements	<u>85</u>
Deficiency of Receipts Over Disbursements	(31)
Fund Balance, July 1, 2000	<u>3,127</u>
Fund Balance, June 30, 2001	<u><u>\$ 3,096</u></u>
Fund Balance Consists Of:	
Cash in Bank	\$ 2,189
Investigator's Cash on Hand	<u>907</u>
Total Fund Balance	<u><u>\$ 3,096</u></u>

See Notes to Financial Statement.

NEBRASKA DEPARTMENT OF REVENUE  
CHARITABLE GAMING INVESTIGATION PETTY CASH FUND

**NOTES TO FINANCIAL STATEMENT**

For the Fiscal Year Ended June 30, 2001

**1. Summary of Significant Accounting Policies**

The accounting policies of the Nebraska Department of Revenue - Charitable Gaming Investigation Petty Cash Fund are on the basis of accounting as described in the Nebraska Accounting System Manual.

- A. Reporting Entity.** The Nebraska Department of Revenue - Charitable Gaming Investigation Petty Cash Fund is a part of the Nebraska Department of Revenue, a State agency established under and governed by the laws of the State of Nebraska. As such, the Program is exempt from State and Federal income taxes. The financial statement includes only the Petty Cash Fund of the Charitable Gaming Division and is not intended to present fairly the fund balances of the Nebraska Department of Revenue or the receipts and disbursements of the Department as a whole.

The Nebraska Department of Revenue - Charitable Gaming Investigation Petty Cash Fund 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 Nebraska Department of Revenue - Charitable Gaming Investigation Petty Cash Fund are maintained and the Nebraska Department of Revenue's - Charitable Gaming Investigation Petty Cash Fund financial statement was 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.

**2. Cash in Bank**

The Nebraska Department of Revenue - Charitable Gaming Investigation Petty Cash Fund had deposits in a checking account and a savings account. The carrying amount of Cash in the Bank was \$2,189 and the bank balance as of June 30, 2001 was \$2,189. All funds were covered by the National Credit Union Administration (NCUA), a federal agency.

NEBRASKA DEPARTMENT OF REVENUE  
CHARITABLE GAMING INVESTIGATION PETTY CASH FUND

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**3. Contingencies**

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

# STATE OF NEBRASKA

## AUDITOR OF PUBLIC ACCOUNTS

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P.O. Box 98917  
State Capitol, Suite 2303  
Lincoln, NE 68509  
402-471-2111, FAX 402-471-3301  
[www.auditors.state.ne.us](http://www.auditors.state.ne.us)

Kate Wittek  
State Auditor  
[kwittek@mail.state.ne.us](mailto:kwittek@mail.state.ne.us)

NEBRASKA DEPARTMENT OF REVENUE  
CHARITABLE GAMING INVESTIGATION PETTY CASH FUND  
**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Deann Haeffner, CPA  
Deputy State Auditor  
[haeffner@mail.state.ne.us](mailto:haeffner@mail.state.ne.us)

Don Dunlap, CPA  
Asst. Deputy Auditor  
[aud1010@  
vmhost.cdp.state.ne.us](mailto:aud1010@vmhost.cdp.state.ne.us)

Pat Reding, CPA  
Asst. Deputy Auditor  
[aud1008@  
vmhost.cdp.state.ne.us](mailto:aud1008@vmhost.cdp.state.ne.us)

Mary Avery  
SAE/Finance Manager  
[MaryJAvery@aol.com](mailto:MaryJAvery@aol.com)

Dennis Meyer  
Budget Coordinator  
[dmeyer@mail.state.ne.us](mailto:dmeyer@mail.state.ne.us)

Mark Avery  
Subdivision Audit  
Review Coordinator  
[mavery@mail.state.ne.us](mailto:mavery@mail.state.ne.us)

Robert Hotz, JD  
Legal Counsel  
[robhotz@mail.state.ne.us](mailto:robhotz@mail.state.ne.us)

We have audited the financial statement of the Nebraska Department of Revenue - Charitable Gaming Investigation Petty Cash Fund as of and for the year ended June 30, 2001, and have issued our report thereon dated August 9, 2001. The report notes the financial statement was prepared on the basis of cash receipts and disbursements and was modified to emphasize that the financial statement presents only the funds of the Nebraska Department of Revenue - Charitable Gaming Investigation Petty Cash Fund. 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 Department of Revenue - Charitable Gaming Investigation Petty Cash Fund's financial statement is 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.

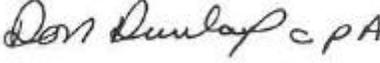
### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Department of Revenue - Charitable Gaming Investigation Petty Cash Fund's

internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Nebraska Department of Revenue, 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.

August 9, 2001

  
Manager