

**AUDIT REPORT  
OF THE  
NEBRASKA DEPARTMENT OF MOTOR VEHICLES**

**JULY 1, 1999 THROUGH JUNE 30, 2000**

NEBRASKA DEPARTMENT OF MOTOR VEHICLES

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# NEBRASKA DEPARTMENT OF MOTOR VEHICLES

## BACKGROUND

The Nebraska Department of Motor Vehicles, which was created in 1957, administers laws pertaining to motor vehicle drivers and the operation of motor vehicles.

The Department was organized during our audit period into nine major divisions as follows:

### Administration

Includes the Director's Office and central services such as payroll, accounting, and budgeting.

### Motor Carrier Services

Administers a variety of programs relating to the trucking industry including:

- International Registration Plan (IRP) – the collection and distribution of registration fees between member states.
- International Fuel Tax Agreement (IFTA) – the equitable distribution of fuel tax between member states.
- Single State Registration System (SSRS) – a program designed to ensure proper authority and insurance by carriers.
- Interstate Application Program (BINGO Card Program) – ensures proper insurance for private or exempt carriers.
- Issues routine over-dimensional permits and certificates of title for apportioned vehicles.

### Titles and Registrations

Maintains the titling and registration records for all vehicles registered in Nebraska, processes the license plate and sticker orders for all issuance sites, issues all specialty license plates, and operates a Help Desk for county officials and the general public using the Vehicle Titling and Registration System (VTR).

### Driver Records

Maintains the driver record information of all drivers licenses in Nebraska.

### Financial Responsibility

Processes and analyzes accident reports, assesses points for traffic violations, suspends and revokes drivers licenses, reinstates suspensions and revocations, issues employment driving permits, and prepares transcripts for courts and attorneys.

### Examining

Ensures that individuals meet Nebraska licensing standards and requirements for the issuance of a driver's license or state identification card.

### Information Systems

Provides technical expertise in the development, installation, and support of technologically-based business systems.

## NEBRASKA DEPARTMENT OF MOTOR VEHICLES

### **BACKGROUND**

(Concluded)

#### Legal

Provides legal functions for the Department, administers the Administrative License Revocation program, provides intoxilyzer training, and administers the lemon law program.

#### Office of Highway Safety Division

Coordinates the State's overall highway safety program through the administration of Federal sections 402 and 410, Office of Juvenile Justice and Delinquency Prevention funds, and the Motorcycle Safety Education Act.

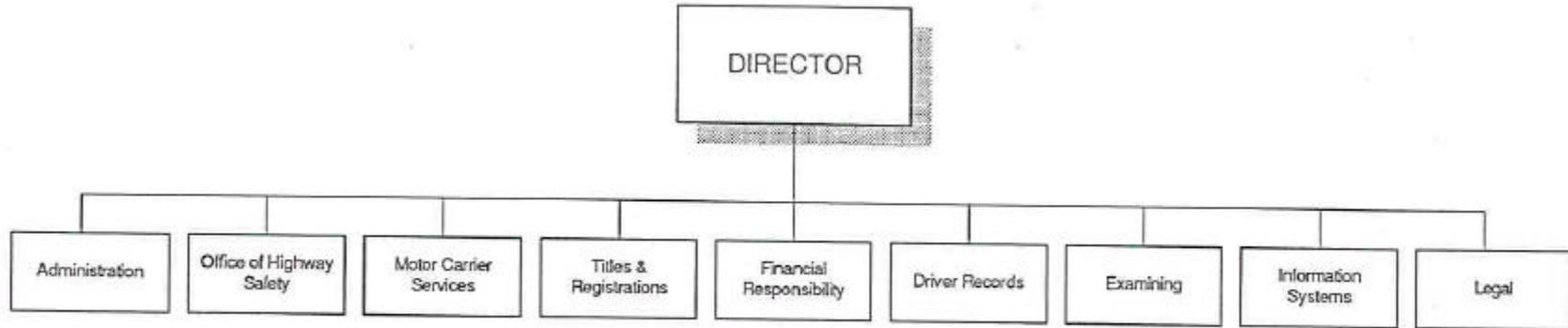
### **VISION, MISSION STATEMENT AND PRINCIPLES**

**Vision:** It is the vision of the Department of Motor Vehicles to provide exceptional service delivered by knowledgeable people with integrity, enthusiasm, and respect.

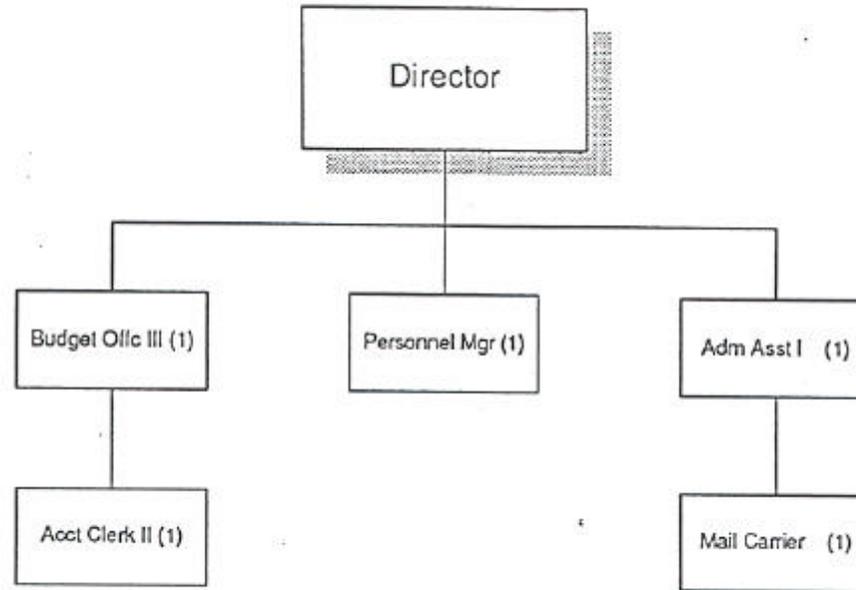
**Mission and Principles:** The mission of the Department of Motor Vehicles is to promote safety through education and regulation of drivers and motor vehicles, and to collect revenue that provides resources for state and local government operations.

The Department of Motor Vehicles (DMV) has a special and unique mandate – to ensure the safety of Nebraska's citizens as they travel the state's roadways. To fulfill this requirement the Department is charged with the responsibility for education, regulating and enforcing motor vehicles operator and vehicle requirements. DMV ensures that licensed Nebraska drivers meet the eligibility requirements for operating a motor vehicle and that vehicles are properly title and registered. A secondary and important purpose is to generate revenues that support not only the services offered by DMV for planning, implementing and managing a comprehensive, statewide highway safety program.

NEBRASKA DEPARTMENT OF MOTOR VEHICLES  
**ORGANIZATIONAL CHART**

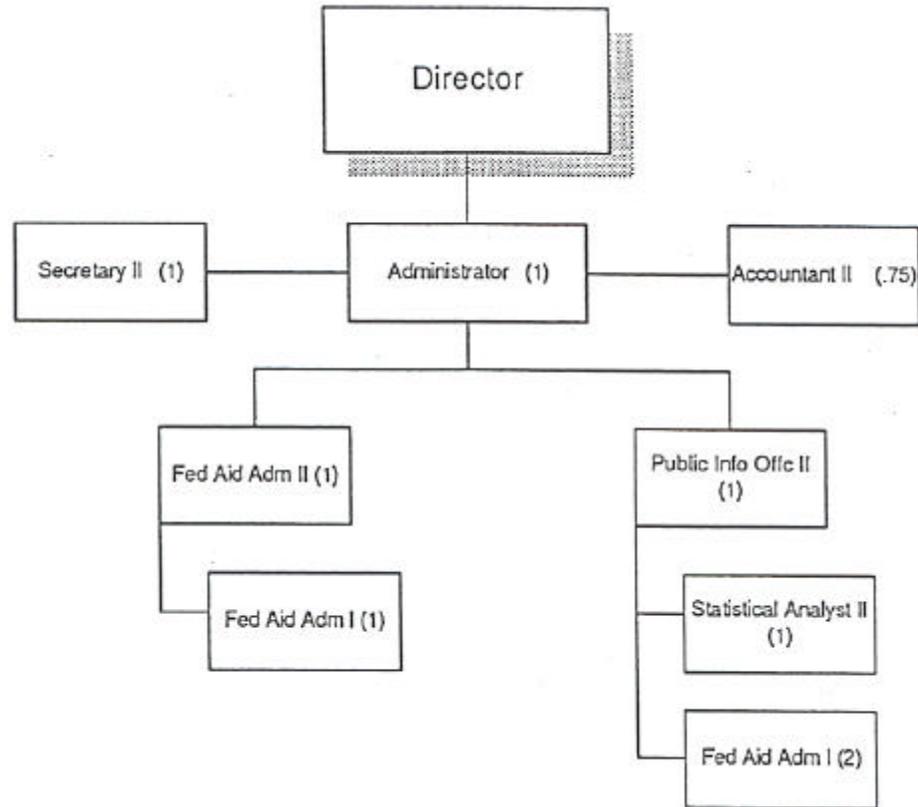


NEBRASKA DEPARTMENT OF MOTOR VEHICLES  
**ORGANIZATIONAL CHART**  
ADMINISTRATION DIVISION



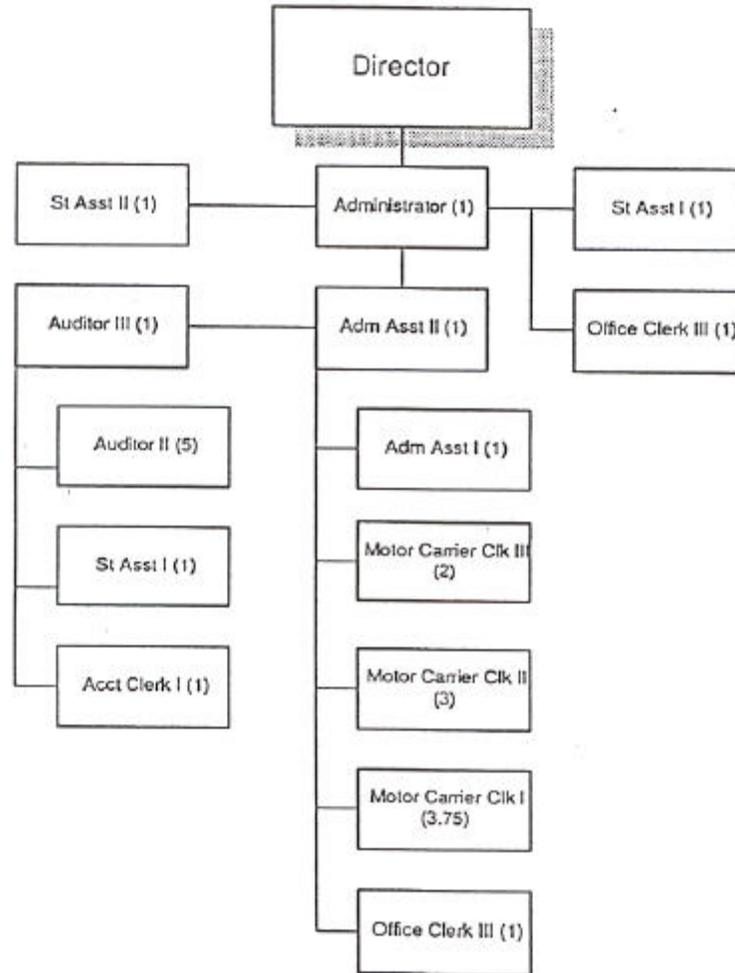
NEBRASKA DEPARTMENT OF MOTOR VEHICLES  
**ORGANIZATIONAL CHART**

OFFICE OF HIGHWAY SAFETY DIVISION



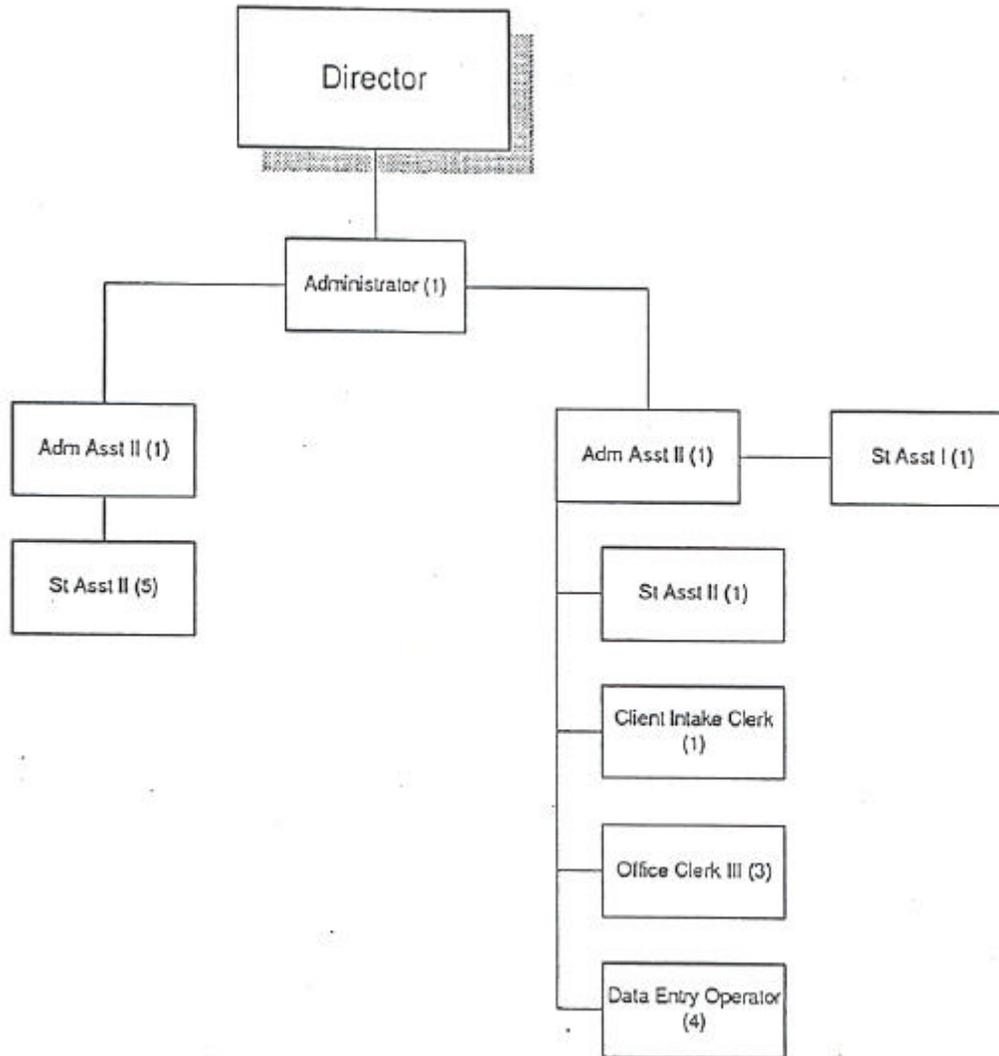
NEBRASKA DEPARTMENT OF MOTOR VEHICLES  
**ORGANIZATIONAL CHART**

MOTOR CARRIER SERVICES DIVISION



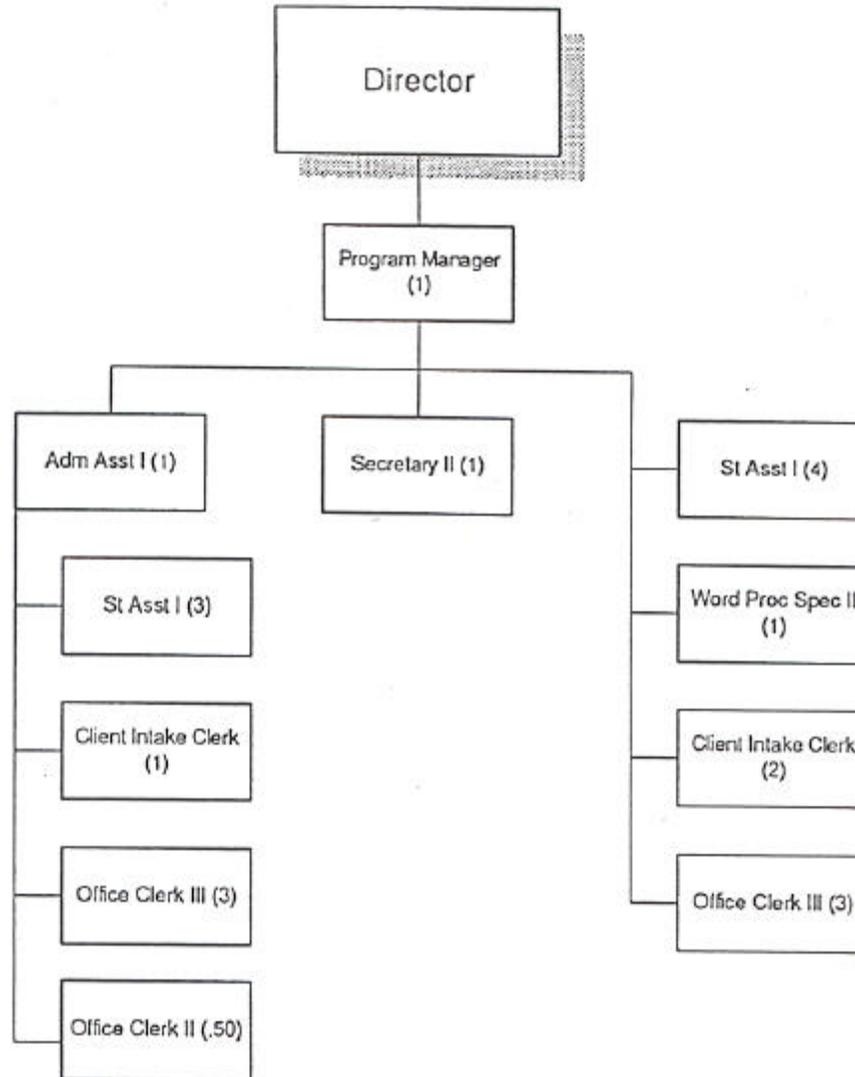
NEBRASKA DEPARTMENT OF MOTOR VEHICLES  
**ORGANIZATIONAL CHART**

TITLES & REGISTRATIONS DIVISION

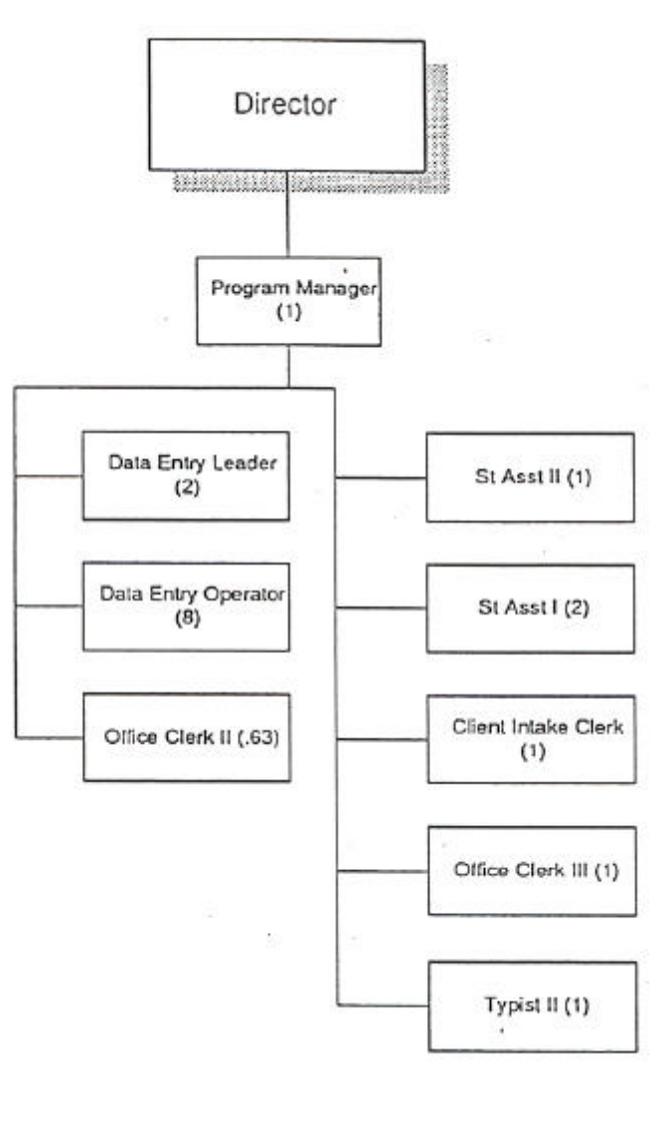


NEBRASKA DEPARTMENT OF MOTOR VEHICLES  
**ORGANIZATIONAL CHART**

FINANCIAL RESPONSIBILITY DIVISION

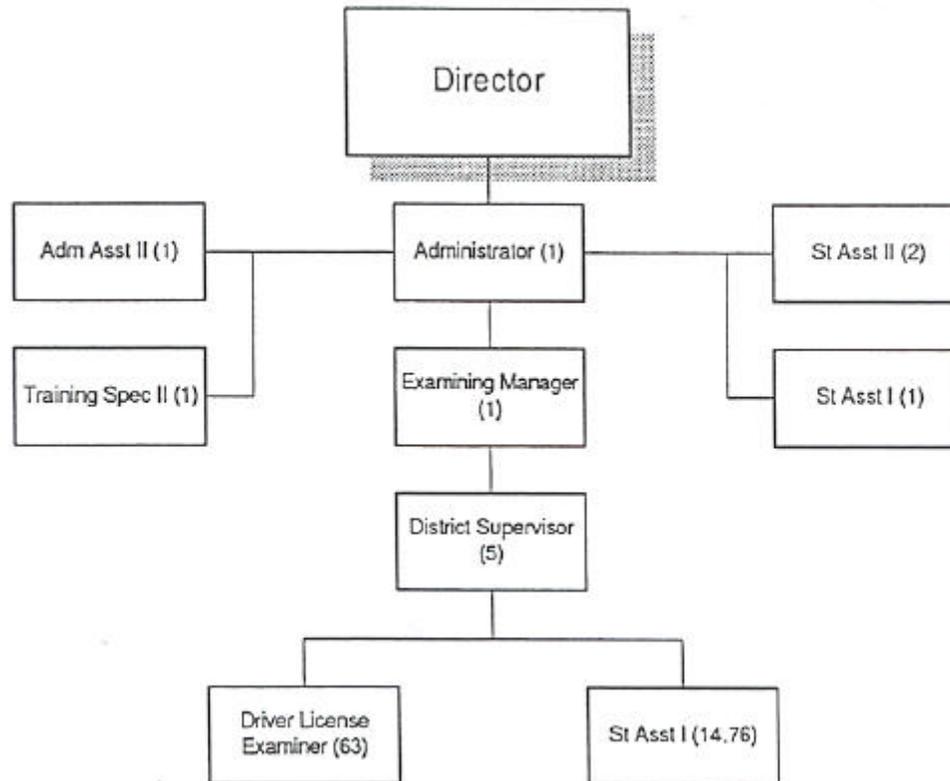


NEBRASKA DEPARTMENT OF MOTOR VEHICLES  
**ORGANIZATIONAL CHART**  
DRIVER RECORDS DIVISION



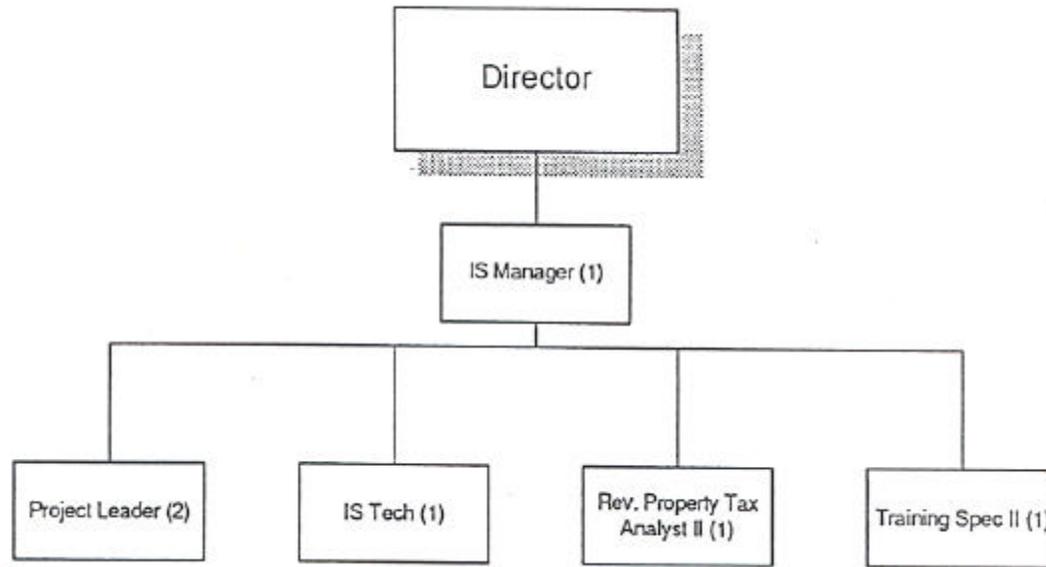
NEBRASKA DEPARTMENT OF MOTOR VEHICLES  
**ORGANIZATIONAL CHART**

EXAMINING DIVISION



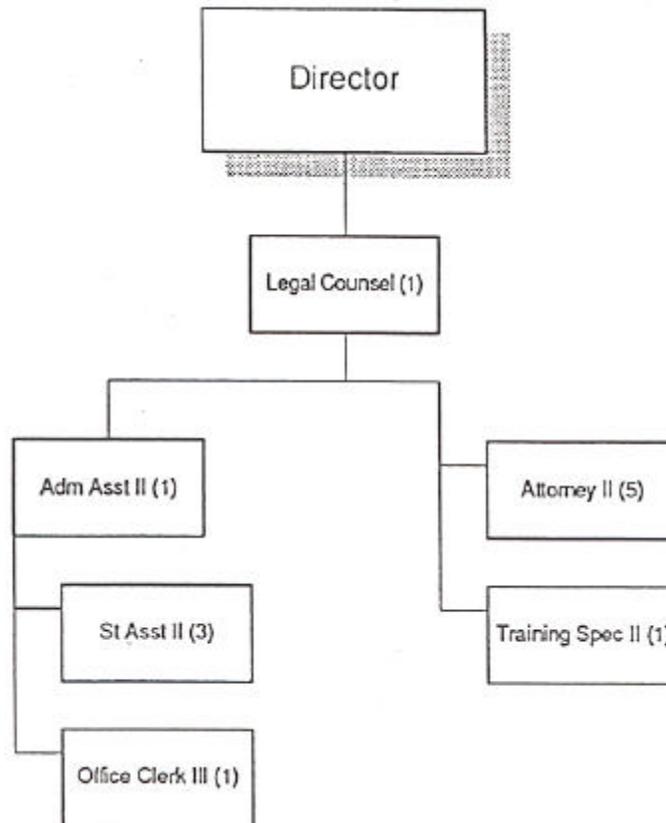
NEBRASKA DEPARTMENT OF MOTOR VEHICLES  
**ORGANIZATIONAL CHART**

INFORMATION SYSTEMS DIVISION



NEBRASKA DEPARTMENT OF MOTOR VEHICLES  
**ORGANIZATIONAL CHART**

LEGAL DIVISION



## NEBRASKA DEPARTMENT OF MOTOR VEHICLES

### SUMMARY OF COMMENTS

During our audit of the Nebraska Department of Motor Vehicles, 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. ***Vehicle Titling and Registration (VTR) System:*** The Department of Motor Vehicles (DMV), by state statute, developed, and is responsible to maintain a statewide VTR A/S400 system to be used by counties for the titling and registration of vehicles. In March 1997 we reviewed the internal control structure over the VTR AS/400 system. That review also included certain internal controls established by the Nebraska Department of Administrative Services, Information Management Services (IMS) Division. Based on our review, we issued an advisory letter in May 1997, which included ten comments and recommendations. Our current review noted DMV had resolved seven of those comments. We believe the remaining three comments relate to serious internal control weaknesses. They are:
  - DMV support staff continued to have supervisor access to all counties' data fields in the State. This means the support staff had the capability to log on to any county in the State and change transactions recorded in the individual counties.
  - IMS programmers continued to have access to the menus on the VTR system with supervisor authority, enabling the programmers to access the complete system.
  - IMS still has not developed a written disaster recovery plan for the county AS/400 systems. This could affect a county's ability to recover from a disaster affecting a county's VTR system.
2. ***International Fuel Tax Agreement (IFTA):*** IFTA is an agreement between member states for the purpose of equitable distribution of fuel tax for motor carriers. The State of Nebraska is a member state. As members, states agree to certain requirements. One such requirement is to meet certain audit requirements. During our review of the Department of Motor Vehicles (DMV) audit function, we noted the DMV was not meeting IFTA total audit number requirements and high-distance audit requirements. DMV did not complete 53 and 44 audits for calendar years 1999 and 2000, respectively, to meet the total audit requirement as required by the agreement. In addition, the DMV did not complete 14 and 21 high-distance carrier audits for calendar years 1999 and 2000, respectively, to meet that requirement.
3. ***Undercover Plates:*** During our audit of the Department's undercover plate processing procedures we noted three sections of the statutes the Department was not in compliance with. We originally noted the Department was not in compliance with these sections in our fiscal year 1996 audit. We also noted numerous areas where the Department could improve on their internal and processing controls.

NEBRASKA DEPARTMENT OF MOTOR VEHICLES

**SUMMARY OF COMMENTS**

(Continued)

4. ***Fees Charged:*** During our review of receipts generated by the Department, we noted the Department's accounting system was not designed to determine the cost of providing services for specific receipts generated. The Department indicated when determining the amount of money needed to fund the Department's operations, no consideration was given to the costs of individual services, but rather only to the amount of total receipts needed. As a result, a determination of whether fees charged were adequate to cover the cost of the services provided could not be determined.
5. ***Reconciliation of Distributive Funds to NAS:*** The Division of Motor Carriers is a member of the International Registration Plan, and the International Motor Fuel Tax Agreement Plan. As a member, the Division was responsible for collecting registration fees and fuel tax fees from Nebraska-based carriers for distribution to other jurisdictions. These fees were receipted on the Motor Carrier AS/400 computer system. The Department processed and distributed in excess of \$90 million in fees through this system for the fiscal year ending June 30, 2000. During our review of the distribution of these fees, we noted there were no reconciliation between the Motor Carrier system and the Nebraska Accounting System (NAS).
6. ***Motor Carrier Programmer Had Access to Live Data:*** The Division contracted with IMS to provide programming services. The person doing the programming also had access to live data (data in production). This access allowed him to change data after it had been entered and verified. With a programmer's access to live data there was a greater risk of unauthorized transactions occurring.
7. ***Lack of Segregation of Duties - Financial Responsibility Division:*** It was noted in the documentation of internal controls for the Financial Responsibility Division, one person could receipt the money, processes the transaction, and prepare the deposit. Without a segregation of duties there is an increased risk of undetected errors or irregularities.
8. ***Inadequate Control Over Receipts - Titles and Registrations Division:*** We noted the following during our review: There was a lack of segregation of duties in the receipt process, and cash register tape totals were not used in the preparation of the deposits. When one person can handle a transaction from beginning to end there is a greater risk of errors or irregularities occurring. In addition, when locked-in totals and z-tape totals are not used, there is a greater risk all money received was not deposited.
9. ***Internal Control over Payroll:*** In our testing of payroll, we found three employees did not have sick or vacation leave forfeited or forfeited in a timely manner. In the test of two employee terminations, one employee's final paycheck was incorrectly calculated due to the use of a prior pay rate. The other employee's pay records did not reflect 14.75 hours of vacation taken and were not adjusted to reflect the correct hours of holiday pay

NEBRASKA DEPARTMENT OF MOTOR VEHICLES

**SUMMARY OF COMMENTS**

(Concluded)

used at DMV. In the test of two employees with large excessive leave usage, substantiating evidence of the leave taken by one employee was not obtained in a timely manner.

- 10. *Fixed Assets:*** During our review of the Department's internal control procedures over fixed assets, we noted there was a lack of segregation of duties. One individual maintained the fixed asset records, made additions and deletions to the records, and reviewed the 4800-exception report (This report showed disbursements recorded as fixed assets, 4800 account, but the items were not included on the fixed asset records). Without good internal controls there is a greater risk of loss of State property due to errors or irregularities.

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 Department 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.

NEBRASKA DEPARTMENT OF MOTOR VEHICLES

COMMENTS AND RECOMMENDATIONS

**1. Vehicle Titling and Registration (VTR) System**

The Department of Motor Vehicles (DMV), by state statute, developed and is responsible to maintain a statewide VTR A/S400 system to be used by counties for the titling and registration of vehicles. In March 1997 we reviewed the internal control structure over the VTR AS/400 system. That review also included certain internal controls established by the Nebraska Department of Administrative Services, Information Management Services (IMS) Division. Based on our review, we issued an advisory letter in May 1997 which included ten comments and recommendations. Our current review noted DMV had resolved seven of those comments. The following three items relate to comments included in our prior advisory letter which have not been resolved:

**A. DMV Staff With Supervisor Access**

Based on discussion with the Department's Information Services (IS) manager, DMV support staff continued to have supervisor access to all counties' data fields in the State. This means the support staff had the capability to log on to any county in the State and change transactions recorded in the individual counties.

With this ability DMV staff had the capability to create inaccurate registration data or fraudulent records.

The accounting records for each office of the county are the responsibility of the elected county official. As such, good internal control requires that only the county officials who are responsible for the records be able to change transactions recorded on the system.

DMV indicated their current position is similar to the position they took in 1997. The technical and operational understanding required to use and maintain a computer application like VTR is accumulated by the user over a long period of time. Limited exposure to the subtle nuances of the VTR application in Nebraska's less populous counties often requires that technical support from state employees be used to correct errors or process uncommon transactions. It is for this reason that the DMV Help Desk and Information Technology staff have, and continue to need, supervisory access.

NEBRASKA DEPARTMENT OF MOTOR VEHICLES

**COMMENTS AND RECOMMENDATIONS**

**1. Vehicle Titling and Registration (VTR) System (Continued)**

**B. Programmer Access**

Based on discussion with the Department's IS manager, IMS programmers continued to have access to the menus on the VTR system with supervisor authority, enabling the programmers to access the complete system.

With supervisory access on the VTR system, programmers had the ability to alter any transaction recorded by county officials.

Good internal control requires the authority to alter detailed accounting records, which is the responsibility of individual county officials, only be given to those county officials. Any access to the VTR system by IMS should be limited to inquiry only.

DMV's current position is programmer access to menus, data files, and production applications is required to resolve problems that arise from user errors, application errors, hardware errors and communication system problems. All DMV programmers are contracted through IMS, are of the highest quality, are properly bonded and/or insured, and follow all prescribed security and audit procedures.

**C. Disaster Recovery Plan**

Based on discussion with the Department's IS manager, IMS still had not developed a written disaster recovery plan for the county AS/400 systems.

Good internal control would require a written disaster recovery plan be developed to help a county recover from a disaster affecting the county's ability to process VTR transactions.

DMV's current position is that they are not aware of any written disaster recovery plan issued by IMS. However, DMV does follow generally accepted industry standards to ensure the safety of its computer data.

When disaster plans are not written there is greater risk that public officials may not know what steps should be taken to recover from a disaster, which in turn could affect a county's ability to process VTR transactions and thus their ability to serve the public.

We again strongly recommend the following:

- Only county officials have the authority to change or alter transactions on the county's system.
- The Department ensure programmers do not have access to county records, other than through inquiry only.

NEBRASKA DEPARTMENT OF MOTOR VEHICLES

COMMENTS AND RECOMMENDATIONS

1. **Vehicle Titling and Registration (VTR) System** (Concluded)

- The Department work with IMS to ensure a written and workable disaster recovery plan for AS/400 systems be developed.

*Department's Response:*

A. *DMV Staff With Supervisor Access*

*DMV's current policy is to allow certain staff supervisor access to the system. The technical and operational understanding required to use and maintain a computer application like VTR is accumulated by the user over a long period of time. Limited exposure to the subtle nuances of the VTR application in Nebraska's less populous counties often requires that technical support from state employees be used to correct errors or process uncommon transactions. While this policy does have some risk, DMV's conclusion is that the positive aspects outweigh the negative in regards to providing efficient and affective assistance to the county officials who are dealing with the general public. DMV believes that adequate audit and backup procedures exist to minimize the risk.*

B. *Programmer Access*

*DMV's current policy is to allow programmer access to menus, data files, and production applications to enable quick resolution of problems that arise from user errors, application errors, hardware errors and communication system problems. While this policy does have some risk, DMV's conclusion is that the positive aspects outweigh the negative in regards to providing efficient and affective assistance to the county officials who are dealing with the general public. DMV believes that adequate audit and backup procedures exist to minimize the risk. All DMV programmers are contracted through IMS, are of the highest quality, are properly bonded and/or insured, and follow all prescribed security and audit procedures.*

C. *Disaster Recovery Plan*

*DMV will request in writing that IMS provide a disaster recovery plan for the AS/400 system.*

2. **International Fuel Tax Agreement (IFTA)**

IFTA is an agreement between member states for the purpose of equitable distribution of fuel tax for motor carriers. The State of Nebraska is a member state. As members, states agree to certain requirements. One such requirement is to meet certain audit requirements. During our review of the Department of Motor Vehicle's (DMV) audit function we noted the DMV was not meeting IFTA total audit number requirements and high-distance audit requirements.

NEBRASKA DEPARTMENT OF MOTOR VEHICLES

COMMENTS AND RECOMMENDATIONS

2. **International Fuel Tax Agreement (IFTA)** (Continued)

IFTA Audit Manual, Article A310 and A320 (a) notes the following:

- Number of Audits - Base jurisdictions will be held accountable for audits and will be required to complete audits of an average of three percent per year of the IFTA accounts reported by that jurisdiction on the annual reports filed pursuant to the IFTA Procedures Manual.
- Low-Distance/High-Distance Accounts Requirements - At least 15 percent of each member jurisdiction's audit requirements shall involve low-distance accounts, and at least 25 percent of each member jurisdiction's audit requirement shall involve high-distance accounts.

Based on information provided to us by the audit area of the DMV we noted the annual report for calendar year 1999 noted a total number of carriers of 4,017. This would require 3% of this total to be audited annually, or a total of 120 carriers. In addition, the DMV agreed to perform at least 25 percent of the annual audit requirement (120 carriers) on high-distance accounts. This would be a total of 30 high-distance carriers.

The carrier audits completed for calendar year 1999 and 2000, as provided to us by the audit area of the DMV, were as follows:

<u>Calendar Year 1999</u>	<u>Calendar Year 2000</u>
16 Large (high-distance)	9 Large (high-distance)
28 Medium	47 Medium
<u>23 Small (low-distance)</u>	<u>20 Small (low-distance)</u>
<u>67 Total</u>	<u>76 Total</u>

These figures reveal the DMV did not complete the required number of carrier audits for calendar year 1999 by 53 (120-67), and for calendar year 2000 by 44 (120-76). In addition, the DMV did not complete the required number of carrier audits for high-distance carriers for calendar year 1999 by 14 (30-16), and for calendar year 2000 by 21 (30-9).

With fewer audits being completed than was required in the IFTA agreement, which the DMV agreed to, DMV was in non-compliance with the agreement. In addition, with fewer motor carriers being audited than required there was a greater risk fuel tax was not paid correctly to DMV.

We recommend the DMV implement procedures to ensure they are selecting and completing audits in compliance with IFTA guidelines. This includes total number requirements and high-distance number requirements.

NEBRASKA DEPARTMENT OF MOTOR VEHICLES

**COMMENTS AND RECOMMENDATIONS**

**2. International Fuel Tax Agreement (IFTA) (Concluded)**

*Department's Response: DMV has recently received information indicating that fewer than half of the IFTA jurisdictions meet the audit percentage requirements. While acknowledging that this is not a legitimate reason for Nebraska's failure to meet the requirements it does indicate that there may be larger questions regarding the national standards themselves. In fact there is currently a survey being conducted by IFTA jurisdictions regarding the percentage requirements. In the meantime, DMV will strive to meet the current IFTA requirements within our existing resources. DMV will not, however, sacrifice the quality of the audits just to meet the arbitrary percentage requirements.*

**3. Undercover Plates**

During our audit of the Department's undercover plate processing procedures we noted the following:

- A. The Department did not have procedures in place to ensure all entities who applied for registration for undercover license plates had shown they had proof of financial responsibility or evidence of insurance for the vehicles being registered.

Neb. Rev. Stat. Section 60-302(2) R.S. Supp., 2000 states, "An application for registration of a motor vehicle shall be accompanied by proof of financial responsibility or evidence of insurance covering the motor vehicle." The Department is in non-compliance with the above state statute. This was a comment in our fiscal year 1996 audit report in which we recommended the Department address this issue by getting appropriate state statutes amended. The Department obtained some statutory changes, but this issue was not addressed in those changes.

- B. The Department allowed for vehicles to be registered to an individual using a fictitious name and address.

Neb. Rev. Stat. Section 60-343 R.R.S. 1998 makes giving a false or fictitious name on the registration of a motor vehicle a class III misdemeanor. The Department is in non-compliance with the above state statute by allowing vehicles to be registered to an individual using a fictitious name and address. This was a comment in our fiscal year 1996 audit report in which we recommended the Department address this issue by getting appropriate state statutes amended. The Department obtained some statutory changes, but this issue was not addressed in those changes.

- C. The Department's policy allowed applicant agencies to have multiple county license plates and registrations for the same motor vehicle.

NEBRASKA DEPARTMENT OF MOTOR VEHICLES

COMMENTS AND RECOMMENDATIONS

3. **Undercover Plates** (Continued)

Neb. Rev. Stat. Section 60-344 R.R.S. 1998, states any person applying for or taking out a registration in any county or location other than that specified in section 60-305.09 or 60-3001 shall be deemed guilty of a Class IV misdemeanor. (The undercover vehicle registration is not specified in section 60-305.09 or 60-3001). The Department is in non-compliance with the above state statute. This was a comment in our fiscal year 1996 audit report in which we recommended the Department address this issue by getting appropriate state statues amended. The Department obtained some statutory changes but this issue was not addressed in those changes.

- D. Internal controls, and processing controls over undercover plate processing were inadequate: 1) Pre-numbered application forms were not accounted for 2) Voided pre-numbered application forms were destroyed and not maintained for future inspection, 3) Applications for the first half of the fiscal year under audit (July 1, 1999 through December 31, 1999) were not available as they had been destroyed, 4) There was a lack of balancing procedures as no one ensured that all receipts that were processed were deposited, and 5) The "Undercover License Plate Application and Billing Notice" form required information on "Expected length of investigation" and "Fictitious name and address" however, from the auditor's review of applications filed for calendar year 2000, numerous applications were noted where this information was not provided.

Good internal controls and processing would:

- 1). Ensure all pre-numbered application forms are accounted for. When all applications are not accounted for there is a greater risk of loss or misuse of funds.
- 2). Ensure voided pre-numbered application forms are maintained for future inspection. When voided applications are not maintained for future inspections there is a greater risk of loss or misuse of funds.
- 3). Ensure records are retained for the needs of all users. When record retention is not considered, records may not be available when needed by all users of the Department, other governmental bodies, and for statutorily-required audits.
- 4). Ensure all receipt transactions processed are deposited. When there are no balancing procedures to ensure receipts processed were deposited, there is a greater risk of loss or misuse of funds.
- 5). Ensure all required information is completed by applicant agencies. When all the information required is not on Department forms there is a greater risk forms may be inappropriately processed.

We recommend:

- A. The Department develop procedures to ensure all applications for undercover license plate registration have proper documentation for proof of financial responsibility or evidence of insurance as required by State Statute;

NEBRASKA DEPARTMENT OF MOTOR VEHICLES

COMMENTS AND RECOMMENDATIONS

3. Undercover Plates (Continued)

- B. The Department amend appropriate Statutes to address undercover motor vehicle registration under fictitious names and addresses;
- C. The Department amend appropriate Statutes to address multiple county license plates and registrations for the same motor vehicle;
- D. 1). The Department account for all applications by periodically taking the applications purchased, less applications issued, and reconciling the results to the applications on hand;
- 2). The Department maintain voided applications for future inspection;
- 3). The Department perform an inventory of the undercover records, and work with the State Records Board to establish a records retention schedule that will meet the needs of all users;
- 4). The Department implement balancing procedures to ensure all receipts processed were deposited; and
- 5). The Department ensure all information on the “Undercover License Plate Application and Billing Notice” required to be completed on the form be completed before it is accepted for processing.

*Department's Response:*

- A. *DMV will inform applicants that proof of insurance is required prior to issuing undercover plates.*
- B. *Neb. Rev. Stat. Section 60-304 R.R.S. 1999 specifically authorizes and is the controlling statutory authority for DMV to administer an undercover license plate program consisting of issuing undercover license plates to state, county, city or village law enforcement agencies for legitimate criminal investigatory purposes. The word undercover as defined by the American Heritage Dictionary means performing or occurring in secret. Therefore DMV has the authority for the specific instance of issuing undercover or secret license plates to individuals using false or fictitious names. It is the DMV's interpretation that 60-304 does not have a criminal penalty associated with the issuance of an undercover license plate to a qualifying individual who uses a fictitious name, therefore; the DMV is not complicit in any criminal activity in carrying out the intent of the program. DMV may suggest legislative changes to this section for clarification if and when this section is opened for other changes.*

NEBRASKA DEPARTMENT OF MOTOR VEHICLES

**COMMENTS AND RECOMMENDATIONS**

**3. Undercover Plates (Concluded)**

C. *Neb. Rev. Stat. Section 60-304 R.R.S. 1999 specifically authorizes and is the controlling statutory authority for DMV to administer an undercover license plate program consisting of issuing undercover license plates to state, county, city or village law enforcement agencies for legitimate criminal investigatory purposes. This allows law enforcement agencies the ability to use the same vehicle for multiple investigations, therefore; the DMV is not complicit in any criminal activity in carrying out the intent of the program. DMV may suggest legislative changes to this section for clarification if and when this section is opened for other changes.*

- D.
1. *Quarterly audits of the application numbers will be done.*
  2. *DMV will keep voided applications and will be a part of the quarterly audit review.*
  3. *DMV agrees with the recommendation.*
  4. *DMV plans to reprogram the issuance system to provide daily and monthly balancing reports that will allow the review of the reports by a second individual.*
  5. *DMV will revise its undercover issuance policy to include refusal of any incomplete applications. The application form will also be revised to include all required information.*

**4. Fees Charged**

Good fiscal policy requires the Department to develop an accounting system which can accumulate information to determine the cost of the various services provided. This would involve segregating both disbursements and receipts related to specific activities as well as developing a method to allocate common expenditures such as personnel and accounting to all activities.

During our review of receipts generated by the Department, we noted the Department's accounting system was not designed to determine the cost of providing services for specific receipts generated. The Department indicated when determining the amount of money needed to fund the Department's operations no consideration was given to the cost of individual services, but rather only to the amount of total receipts needed.

This was a prior audit comment in our fiscal year ending June 30, 1996 audit of the Department.

As a result, a determination of whether fees charged were adequate to cover the costs of the services provided could not be determined.

We continue to recommend the Department develop information within the accounting system to determine the costs of services provided.

NEBRASKA DEPARTMENT OF MOTOR VEHICLES

COMMENTS AND RECOMMENDATIONS

**4. Fees Charged**

*Department's Response: DMV's analysis of the current fee structure indicates that the fees are adequate to provide the proper level of funding for the operations of the department.*

**5. Reconciliation of Distributive Funds to NAS**

The Division of Motor Carriers is a member of the International Registration Plan, and the International Motor Fuel Tax Agreement Plan. As a member, the Division was responsible for collecting registration fees and fuel tax fees from Nebraska-based carriers for distribution to other jurisdictions. These fees were receipted on the Motor Carrier AS/400 computer system. The Department processed and distributed in excess of \$90 million in fees through this system for the fiscal year ending June 30, 2000. During our review of the distribution of these fees, we noted there was no reconciliation between the Motor Carrier system and the Nebraska Accounting System (NAS).

Good internal controls require a plan of organization, procedures, and records designed to safeguard assets, and provide reliable financial records. Without reconciliation between the Department's system and the NAS, there is a risk that there is more to be distributed out per the Department's system than is available on NAS, or vice versa.

Based on discussion with management, the Division's system will provide the information where reconciliation between the two systems is possible.

We recommend procedures be developed to reconcile the amounts to be distributed per the Department's system to the amounts available to be distributed per NAS.

*Department's Response: Currently there is a monthly reconciliation done where all receipt transactions, warrant distributions and journal entries, as noted in the NAS monthly fund detail report are compared to the end of the month reports generated from the Motor Carrier Services computer system. DMV will expand this reconciliation to include a more complete review including available funding in the distributive fund.*

**6. Motor Carrier Programmer Had Access to Live Data**

The Division contracted with IMS to provide programming services. The person doing the programming also had access to live data (data in production). This access allowed him to change data after it had been entered and verified.

As system of good internal controls require procedures designed to safeguard assets. The Division programmer had extensive knowledge of the Motor Carrier computer system. Programmer access should be restricted to programming systems only, and access to live data should be restricted.

NEBRASKA DEPARTMENT OF MOTOR VEHICLES

COMMENTS AND RECOMMENDATIONS

6. **Motor Carrier Programmer has Access to Live Data** (Concluded)

With a programmer's access to live data there was a greater risk of unauthorized transactions occurring.

We recommend the person contracted to do the programming for the Division be restricted from having access to live data.

*Department's Response: DMV's position is that programmer access to menus, data files, and production applications is required to efficiently and effectively resolve problems that arise from user, application, and hardware errors, and communication system complications. DMV believes that adequate audit and backup procedures exist to minimize the risk of improper use of this authority. All DMV programmers are contracted through IMS, are of the highest quality, are properly bonded and/or insured, and follow all prescribed security and audit procedures.*

7. **Lack of Segregation of Duties - Financial Responsibility Division**

It was noted in the documentation of internal controls for the Financial Responsibility Division, one person could receipt the money, process the transaction, and prepare the deposit.

Good internal control requires that no one person is in the position to both perpetuate and conceal errors or irregularities.

This was a prior comment in our fiscal year ending June 30, 1996 audit of the Department.

Without a segregation of duties there is an increased risk of undetected errors or irregularities.

We recommend the Division separate the duty of preparing the deposit from that individual who processes the receipts.

*Department's Response: DMV concurs with the Auditor's comments and will separate the duties.*

8. **Inadequate Control Over Receipts - Title and Registration Division**

A good internal control requires that no one person is in the position to both perpetuate and conceal errors or irregularities. There should also be an adequate control over receipts to ensure that all the day's collections were remitted for deposit.

The Titles and Registrations Division processed title searches and plate requests. These requests came in through the mail and from walk-in customers. Three individuals processed the plate requests in the computer, and separated the money from the application. We noted the following during our review:

NEBRASKA DEPARTMENT OF MOTOR VEHICLES

**COMMENTS AND RECOMMENDATIONS**

**8. Inadequate Control Over Receipts - Title and Registration Division (Concluded)**

- There was a lack of segregation of duties in the receipt process as one person processed the plate request, receipted the money, and prepared the daily deposit;
- Locked-in cash register totals were not used in the Titles and Registrations Division; and
- the individual preparing the deposits for the Division did not make use of the numbered z-tapes totals on the cash register.

The lack of segregation of duties part of this comment was a prior year comment in our fiscal year ending June 30, 1996 audit of the Department.

When one person can handle a transaction from beginning to end there is a greater risk of errors or irregularities occurring. In addition, when locked-in totals and z-tape totals are not used, there is a greater risk all money received was not deposited.

We recommend the Division segregate duties so the same person processing the transactions does not also prepare the deposit. In addition, we recommend totals on the cash register tapes be used to ensure all money recorded in the cash register was deposited.

*Department's Response: DMV concurs with the Auditor's comments and will separate the duties, use locked in cash register totals and use numbered z-tapes.*

**9. Internal Control Over Payroll**

Good internal control requires a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records. A system of internal control should include a proper segregation of duties so no one individual is capable of handling all phases of a transaction from beginning to end.

During our testing of payroll, errors were noted in certain transactions which were not reviewed by a second person for the detection of errors. We noted the following instances of noncompliance and inadequate documentation:

- A. In the review of leave balances per the January 2000 Leave Status Report, we found three employees did not have sick or vacation leave lapsed or the leave was not lapsed in a timely manner. At December 31<sup>st</sup> each year, the State's Labor Contract, and State Personnel Rules and Regulations Title 273 NAC 9-004.02 require vacation leave over 280 hours to be forfeited. In addition, sick leave over 1440 hours must be forfeited for those employees covered under State Personnel Rules and Regulations Title 273 NAC 9-005.03.

NEBRASKA DEPARTMENT OF MOTOR VEHICLES

COMMENTS AND RECOMMENDATIONS

9. **Internal Control Over Payroll** (Concluded)

In this agency, the need to forfeit leave was determined at the Division level, by the person assigned this function for the Division, and a list of the leave hours to be forfeited was given to the Personnel Manager. The accuracy of these numbers was relied on and the Leave Status Report was not reviewed to determine that leave had been lapsed as required.

- B. In the test of two employee terminations, one employee's final paycheck was incorrectly calculated due to the use of a prior pay rate resulting in an underpayment of \$14. For the second employee (transferred to another agency) 14.75 hours of vacation leave was not recorded for a questioned cost of \$172 and holiday leave was not manually adjusted from 24 hours to 8 hours to reflect the vacation and holidays used while at DMV.
- C. In the test of two employees with excessive sick leave usage, a doctor's verification was not obtained for personnel file documentation of one employee until September 1999 for leave beginning in June 1999. For sick leave of ten days or more, substantiating evidence is required by DMV's Personnel Policies and Procedures Manual.

We recommend the Department review the internal control procedures over these payroll activities and implement procedures to review leave balances to ensure all excess leave has been lapsed, add a review by a second person of the calculation of final pay for terminated employees, and request substantiating evidence for employees with sick leave of ten days or more.

*Department's Response: DMV concurs with the Auditor's comments and will review leave balances prior to lapsing, have a second person review final pay calculations and require substantiating evidence for sick leave usage.*

10. **Fixed Assets**

During our review of the Department's internal control procedures over fixed assets, we noted there was a lack of segregation of duties. One individual maintained the fixed asset records, made additions and deletions to the records, and reviewed the 4800-Exception Report (This report showed disbursements recorded as fixed assets, 4800 account, but the items were not included on the fixed asset records).

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 would include adequate segregation of duties so no one individual can handle all phases of a transaction.

Without good internal controls there is a greater risk of loss of state property due to errors or irregularities.

NEBRASKA DEPARTMENT OF MOTOR VEHICLES

**COMMENTS AND RECOMMENDATIONS**

**10. Fixed Assets (Concluded)**

We recommend the Department implement procedures to ensure an adequate segregation of duties exists over fixed assets. Procedures to consider might include someone other than the individual responsible for the processing of transactions to review and document their review of the 4800-Exception Report and the History Report (a report showing all transactions processed on the fixed asset system).

*Department's Response: DMV concurs with the Auditor's comments and will have someone other than individual processing asset transactions review the 4800- Exception Report.*

STATE OF NEBRASKA  
Auditor of Public Accounts

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

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

NEBRASKA DEPARTMENT OF MOTOR VEHICLES

**INDEPENDENT AUDITORS' REPORT**

We have audited the financial statements of the Nebraska Department of Motor Vehicles as of and for the fiscal year ended June 30, 2000, as listed in the Table of Contents. These financial statements are the responsibility of the Department'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.

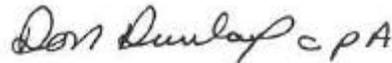
Also as discussed in Note 1, the financial statements present only the Nebraska Department of Motor Vehicles, and are not intended to present fairly the fund balances and the receipts and disbursements of the State of Nebraska in conformity with the cash receipts and disbursements basis of accounting.

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

In accordance with Government Auditing Standards, we have also issued our report dated March 23, 2001 on our consideration of the Nebraska Department of Motor Vehicles' 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, except that portion marked "unaudited," on which we express no opinion, 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 23, 2001

A handwritten signature in cursive script that reads "Don Dunlap CPA".

Manager

NEBRASKA DEPARTMENT OF MOTOR VEHICLES  
**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, 2000

	<u>Governmental Fund Types</u>		<u>Fiduciary</u>	<u>Account Group</u>	<b>Totals</b> (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	
<b><u>Assets</u></b>					
Cash in State Treasury	\$ 23,953	\$ 12,002,449	\$ 52,873	\$ -	\$ 12,079,275
Deposit with Vendors	14,145	22,946	-	-	37,091
Petty Cash	100	300	-	-	400
Property, Plant, and Equipment	-	-	-	864,802	864,802
 Total Assets	 <u>\$ 38,198</u>	 <u>\$ 12,025,695</u>	 <u>\$ 52,873</u>	 <u>\$ 864,802</u>	 <u>\$ 12,981,568</u>
<b><u>Fund Balances and Other Credits</u></b>					
Other Credits:					
Investment in Fixed Assets	\$ -	\$ -	\$ -	\$ 864,802	\$ 864,802
Fund Balances:					
Reserved For Postage	14,145	22,946	-	-	37,091
Reserved For Refunds, Payments to Other Governments and Other Funds	-	2,611,865	52,873	-	2,664,738
Unreserved, Undesignated	24,053	9,390,884	-	-	9,414,937
 Total Fund Balances and Other Credits	 <u>\$ 38,198</u>	 <u>\$ 12,025,695</u>	 <u>\$ 52,873</u>	 <u>\$ 864,802</u>	 <u>\$ 12,981,568</u>

See Notes to Financial Statements.

NEBRASKA DEPARTMENT OF MOTOR VEHICLES  
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCES**  
For the Fiscal Year Ended June 30, 2000

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund type</u>	<b>Totals</b> (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Trust and Agency</u>	
<b>RECEIPTS:</b>				
Intergovernmental	\$ -	\$ 2,220,640	\$ -	\$ 2,220,640
Sales and Charges	4,249,700	12,887,517	-	17,137,217
Miscellaneous	9,071	493,131	-	502,202
<b>TOTAL RECEIPTS</b>	<u>4,258,771</u>	<u>15,601,288</u>	<u>-</u>	<u>19,860,059</u>
<b>DISBURSEMENTS:</b>				
Personal Services	-	6,739,883	-	6,739,883
Operating	-	6,200,928	-	6,200,928
Travel	-	231,598	-	231,598
Capital Outlay	-	61,194	-	61,194
Government Aid	-	1,564,847	-	1,564,847
<b>TOTAL DISBURSEMENTS</b>	<u>-</u>	<u>14,798,450</u>	<u>-</u>	<u>14,798,450</u>
 Excess of Receipts Over Disbursements	<u>4,258,771</u>	<u>802,838</u>	<u>-</u>	<u>5,061,609</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sales of Assets	-	529	-	529
Operating Transfers In	-	1,967,420	-	1,967,420
Deposits to State General Fund	(4,258,771)	-	-	(4,258,771)
Deposits to Other Agencies	-	(840,877)	-	(840,877)
Distributive Activity:				
Ins	4,947,754	88,813,648	31,801	93,793,203
Outs	(4,931,939)	(88,783,608)	(22,668)	(93,738,215)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(4,242,956)</u>	<u>1,157,112</u>	<u>9,133</u>	<u>(3,076,711)</u>
 Excess of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	<u>15,815</u>	<u>1,959,950</u>	<u>9,133</u>	<u>1,984,898</u>
 FUND BALANCE, JULY 1, 1999	<u>22,383</u>	<u>10,065,745</u>	<u>43,740</u>	<u>10,131,868</u>
 FUND BALANCE, JUNE 30, 2000	<u>\$ 38,198</u>	<u>\$ 12,025,695</u>	<u>\$ 52,873</u>	<u>\$ 12,116,766</u>

See Notes to Financial Statements.

NEBRASKA DEPARTMENT OF MOTOR VEHICLES  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
Cash and Federal Funds  
For the Year Ended June 30, 2000

	CASH FUND			FEDERAL FUND			TOTALS (MEMORANDUM ONLY)		
		ACTUAL	VARIANCE		ACTUAL	VARIANCE		ACTUAL	VARIANCE
	BUDGET	(BUDGETARY BASIS)	FAVORABLE (UNFAVORABLE)	BUDGET	(BUDGETARY BASIS)	FAVORABLE (UNFAVORABLE)	BUDGET	(BUDGETARY BASIS)	FAVORABLE (UNFAVORABLE)
<b>RECEIPTS:</b>									
Intergovernmental		\$ -			\$ 2,220,640			\$ 2,220,640	
Sales and Charges		12,040,584			6,056			12,046,640	
Miscellaneous		<u>492,508</u>			<u>623</u>			<u>493,131</u>	
TOTAL RECEIPTS		<u>12,533,092</u>			<u>2,227,319</u>			<u>14,760,411</u>	
<b>DISBURSEMENTS:</b>									
Personal Services		6,467,454			272,429		\$ 6,990,953	6,739,883	\$ 251,070
Operating		5,781,564			419,364		6,649,112	6,200,928	448,184
Travel		198,839			32,759		258,583	231,598	26,985
Capital Outlay		53,753			7,441		144,693	61,194	83,499
Government Aid		<u>55,170</u>			<u>1,509,677</u>		<u>1,964,127</u>	<u>1,564,847</u>	<u>399,280</u>
TOTAL DISBURSEMENTS		<u>13,588,276</u>	<u>1,031,496</u>		<u>2,241,670</u>	<u>177,522</u>	<u>16,007,468</u>	<u>14,798,450</u>	<u>1,209,018</u>
Excess of Receipts Over (Under) Disbursements		<u>(23,688)</u>			<u>(14,351)</u>			<u>(38,039)</u>	
<b>OTHER FINANCING SOURCES (USES):</b>									
Sale of Assets		184			345			529	
Operating Transfers In		1,967,420			-			1,967,420	
Distributive Activity:									
Ins		1,506,610			-			1,506,610	
Outs		(1,525,785)			-			(1,525,785)	
Loans between Funds		<u>(341,000)</u>			<u>341,000</u>			<u>-</u>	
TOTAL OTHER FINANCING SOURCES (USES)		<u>1,607,429</u>			<u>341,345</u>			<u>1,948,774</u>	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		1,583,741			326,994			1,910,735	
FUND BALANCES, JULY 1, 1999		<u>7,380,704</u>			<u>122,391</u>			<u>7,503,095</u>	
FUND BALANCES, JUNE 30, 2000		<u>\$ 8,964,445</u>			<u>\$ 449,385</u>			<u>\$ 9,413,830</u>	

See Notes to Financial Statements.

NEBRASKA DEPARTMENT OF MOTOR VEHICLES

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2000

1. **Summary of Significant Accounting Policies**

The accounting policies of the Nebraska Department of Motor Vehicles are on the basis of accounting as described in the Nebraska Accounting System Manual.

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

These financial statements present the Nebraska Department of Motor Vehicles. No component units were identified. The Nebraska Department of Motor Vehicles is part of the primary government for the State of Nebraska's reporting entity.

- B. **Basis of Accounting.** The accounting records of the Department are maintained and the Department'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 and agency 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 Department 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:

NEBRASKA DEPARTMENT OF MOTOR VEHICLES

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

**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.

**Trust and Agency Funds.** Reflect transactions related to assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

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

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 Department 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.

**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.

**7000 - Distributive Funds** - account for assets held by the State as an agent for individuals, private organizations, other governments, and/or other funds. No appropriation control is established for this fund type.

NEBRASKA DEPARTMENT OF MOTOR VEHICLES

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

**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 Department 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 and Distributive 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, cash, construction, and revolving fund appropriations must also be approved by the Legislature as a deficit appropriations bill. Appropriations for programs funded in whole or in part from federal funds may be increased to the extent that receipts of federal funds exceed the original budget estimate.

NEBRASKA DEPARTMENT OF MOTOR VEHICLES

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

The Department 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 Department'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 Department's intention to honor the encumbrances at the end of a biennium. The disbursements columns of the Statement include cash payments related to the appropriated and reappropriated amounts. For the year ended June 30, 2000, there were no budgetary funds in which disbursements exceeded appropriations.

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

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

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

NEBRASKA DEPARTMENT OF MOTOR VEHICLES

NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

A reconciliation of the budgetary fund classifications versus GAAP fund classifications as of June 30, 2000 follows:

	BUDGETARY FUND BALANCES	FINANCIAL STATEMENT FUND BALANCES		
	Total	General	Special Revenue	Trust and Agency
PERSPECTIVE DIFFERENCES:				
Classifications of budgetary fund balances into Financial Statement fund structure:				
Cash	\$ 8,964,445	\$ -	\$ 8,964,445	\$ -
Federal	449,385	-	449,385	-
Budgetary fund balances classified into Financial Statement fund structure	<u>\$ 9,413,830</u>	-	9,413,830	-
Entity Difference: Record funds not budgeted at DMV		<u>38,198</u>	<u>2,611,865</u>	<u>52,873</u>
Financial Statement Fund Balances, June 30, 2000		<u>\$ 38,198</u>	<u>\$ 12,025,695</u>	<u>\$ 52,873</u>

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

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

NEBRASKA DEPARTMENT OF MOTOR VEHICLES

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 Department, except for the Highway Safety Fund, Fund number 4792, were designated for investment during fiscal year 2000.

**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. Distributive Activity.** 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 Department which are owed to some individual, organization, or other government agency, or are deposits which will be returned on completion of some specified requirement. For more information on the Distributive Activity the Department recorded, see note 5.

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

**J. Compensated Absences.** All permanent employees working for the Department earn sick and annual leave. All permanent nonexempt employees working for the Department are allowed to accumulate compensatory leave rather than being paid overtime. Temporary and intermittent employees 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 (and amounts related to proprietary funds and non-expendable trust funds would be reflected separately in those 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 Department are:

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

NEBRASKA DEPARTMENT OF MOTOR VEHICLES

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

**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 Department 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.

**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.

**M. Fund Balance Reservations.** Reservations of fund balances are established to identify the existence of assets that have been legally segregated for specific purposes. Reservations of fund balances are also established for assets which are not current in nature. The reservations for the Department include a reservation for postage, and reservation for refunds, and payments to other governments and other funds. This latter reservation includes \$2,611,865 in the Motor Carriers Service Division Fund (Fund 7241). This balance was due to other States, other funds, or due to motor carriers from receipts primarily collected for the International Registration Plan (IRP), International Fuel Tax Agreement (IFTA), and the Single State Registration System (SSRS) programs.

NEBRASKA DEPARTMENT OF MOTOR VEHICLES

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

1. Motor vehicle liability, which is insured for the first \$5 million of exposure per accident. Insurance is also purchased for medical payments, physical damage, and uninsured and underinsured motorists with various limits and deductibles.
2. Health care insurance for employees selecting certain coverage options. All health care insurance was purchased.
3. Crime coverage, with a limit of \$1 million for each loss, and a \$10,000 retention per incident.
4. Real and personal property on a blanket basis for losses up to \$250,000,000, with a self-insured retention of \$100,000 per loss occurrence. The perils of flood and earthquake are covered up to \$9,000,000. Newly-acquired properties are covered up to \$1,000,000 for 60 days or until the value of the property is reported to the insurance company.

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

NEBRASKA DEPARTMENT OF MOTOR VEHICLES

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. **Contingencies and Commitments (Concluded)**

**Audit Dispute**

In January 1998, Nebraska received the results of three audits, conducted by the State of Wisconsin on three Schneider companies, for the International Fuel Tax Agreement (IFTA). The recommendation of these audits was a \$450,000 refund of fees from Nebraska to Wisconsin. In November 1998, a re-examination audit was conducted, with no resolution of the dispute. Nebraska continued to dispute the original audit results, and the re-examined audit results with Wisconsin. A hearing before the IFTA Board of Directors has been set for July 25, 2001. The amount in the dispute as of the report date is \$488,585.

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

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

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

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 Department matches the employee's contribution at a rate of 156% of the employee's contribution.

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

For the Fiscal Year Ended June 30, 2000, employees contributed \$217,223 and the Department contributed \$338,868.

NEBRASKA DEPARTMENT OF MOTOR VEHICLES

NOTES TO FINANCIAL STATEMENTS

(Continued)

5. **Distributive Activity**

The Department's distributive activity for the audit period consists primarily of monies collected for the International Registration Plan (IRP), International Fuel Tax Agreement (IFTA), and the Single State Registration System (SSRS) programs. This money was collected by the Department and was paid out to other States, to other funds, and to motor carriers.

6. **Fixed Assets**

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

	<u>Balance</u> <u>July 1, 1999</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2000</u>
Equipment	\$ 930,125	\$ 27,673	\$ 92,997	\$ 864,802

Capital outlay (additions) reported on the Department's Financial Statements totaled \$61,194. The difference between this amount and the \$27,673 reported on the fixed asset records was due primarily to items coded to capital outlay on the accounting records below the Department's \$300 inventory threshold, computer software which was coded to a capital outlay account but was not inventoried, and timing differences of when items were purchased and put on the fixed asset records.

The equipment retirement includes items actually retired, and items taken off the fixed records as agencies began to remove items below the \$300 threshold.

NEBRASKA DEPARTMENT OF MOTOR VEHICLES  
**COMBINING STATEMENT OF ASSETS AND FUND BALANCES**  
**ARISING FROM CASH TRANSACTIONS**  
 ALL SPECIAL REVENUE FUNDS  
 June 30, 2000

	Motorcycle Safety Fund 2134	Motor Carrier Division Fund 2243	License Plate Cash Fund 2244	Motor Vehicle Cash Fund 2245	Highway Safety Federal Fund 4242	Motor Carriers Service Division Fund 7241	<b>Totals Special Revenue Funds</b>
<b><u>Assets</u></b>							
Cash in State Treasury	\$ 164,029	\$ 444,531	\$ 76,919	\$ 8,256,544	\$ 448,561	\$ 2,611,865	\$ 12,002,449
Deposit with Vendors	-	5,554	-	16,568	824	-	22,946
Petty Cash	-	300	-	-	-	-	300
 Total Assets	 <u>\$ 164,029</u>	 <u>\$ 450,385</u>	 <u>\$ 76,919</u>	 <u>\$ 8,273,112</u>	 <u>\$ 449,385</u>	 <u>\$ 2,611,865</u>	 <u>\$ 12,025,695</u>
 <b><u>Fund Balances and Other Credits</u></b>							
Fund Balances:							
Reserved For Postage	\$ -	\$ 5,554	\$ -	\$ 16,568	\$ 824	\$ -	\$ 22,946
Reserved For Refunds, Payments to Other Governments and Other Funds	-	-	-	-	-	2,611,865	2,611,865
Unreserved, Undesignated	<u>164,029</u>	<u>444,831</u>	<u>76,919</u>	<u>8,256,544</u>	<u>448,561</u>	<u>-</u>	<u>9,390,884</u>
 Total Fund Balances	 <u>\$ 164,029</u>	 <u>\$ 450,385</u>	 <u>\$ 76,919</u>	 <u>\$ 8,273,112</u>	 <u>\$ 449,385</u>	 <u>\$ 2,611,865</u>	 <u>\$ 12,025,695</u>

**NEBRASKA DEPARTMENT OF MOTOR VEHICLES**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,**  
**AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUNDS**  
For the Fiscal Year Ended June 30, 2000

	Records Management Cash Fund 2093	Spirit Plate Proceeds Fund 2128	Motorcycle Safety Fund 2134	Motor Carrier Division Fund 2243	License Plate Cash Fund 2244	Motor Vehicle Cash Fund 2245	Roads Operations Fund 2270
<b>RECEIPTS:</b>							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and Charges	52,835	72,297	5	274,351	-	11,766,228	273,076
Miscellaneous	-	-	7,778	30,423	8,688	445,619	-
<b>TOTAL RECEIPTS</b>	<b>52,835</b>	<b>72,297</b>	<b>7,783</b>	<b>304,774</b>	<b>8,688</b>	<b>12,211,847</b>	<b>273,076</b>
<b>DISBURSEMENTS:</b>							
Personal Services	-	-	5,452	759,527	-	5,702,475	-
Operating	-	-	1,749	220,212	1,061,389	4,498,214	-
Travel	-	-	192	9,445	-	189,202	-
Capital Outlay	-	-	-	145	-	53,608	-
Government Aid	-	-	55,170	-	-	-	-
<b>TOTAL DISBURSEMENTS</b>	<b>-</b>	<b>-</b>	<b>62,563</b>	<b>989,329</b>	<b>1,061,389</b>	<b>10,443,499</b>	<b>-</b>
Excess of Receipts Over (Under) Disbursements	<b>52,835</b>	<b>72,297</b>	<b>(54,780)</b>	<b>(684,555)</b>	<b>(1,052,701)</b>	<b>1,768,348</b>	<b>273,076</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Sales of Assets	-	-	-	-	-	184	-
Operating Transfers In	-	-	97,907	761,400	1,108,113	-	-
Deposits to Other Agencies	(52,835)	(72,297)	-	-	-	-	(273,076)
Distributive Activity:							
Ins	-	-	-	1,506,610	-	-	-
Outs	-	-	-	(1,525,785)	-	-	-
Loans between Funds	-	-	-	-	-	(341,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(52,835)</b>	<b>(72,297)</b>	<b>97,907</b>	<b>742,225</b>	<b>1,108,113</b>	<b>(340,816)</b>	<b>(273,076)</b>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	-	-	43,127	57,670	55,412	1,427,532	-
<b>FUND BALANCE, JULY 1, 1999</b>	<b>-</b>	<b>-</b>	<b>120,902</b>	<b>392,715</b>	<b>21,507</b>	<b>6,845,580</b>	<b>-</b>
<b>FUND BALANCE, JUNE 30, 2000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 164,029</b>	<b>\$ 450,385</b>	<b>\$ 76,919</b>	<b>\$ 8,273,112</b>	<b>\$ -</b>

See Notes to Financial Statements.

(Continued)

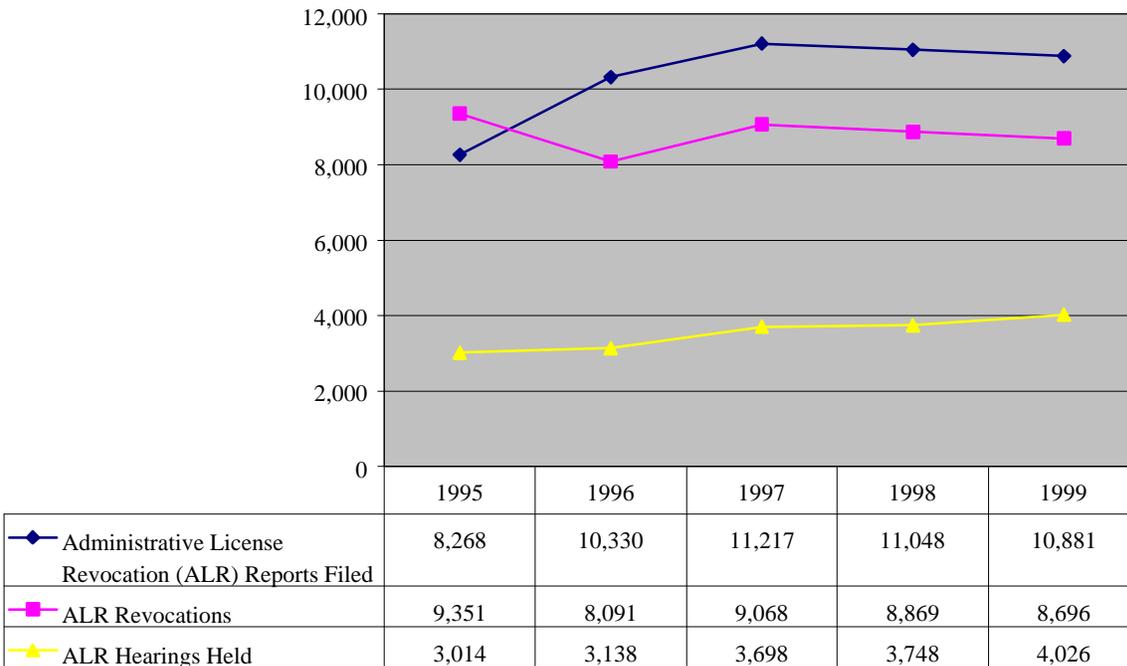
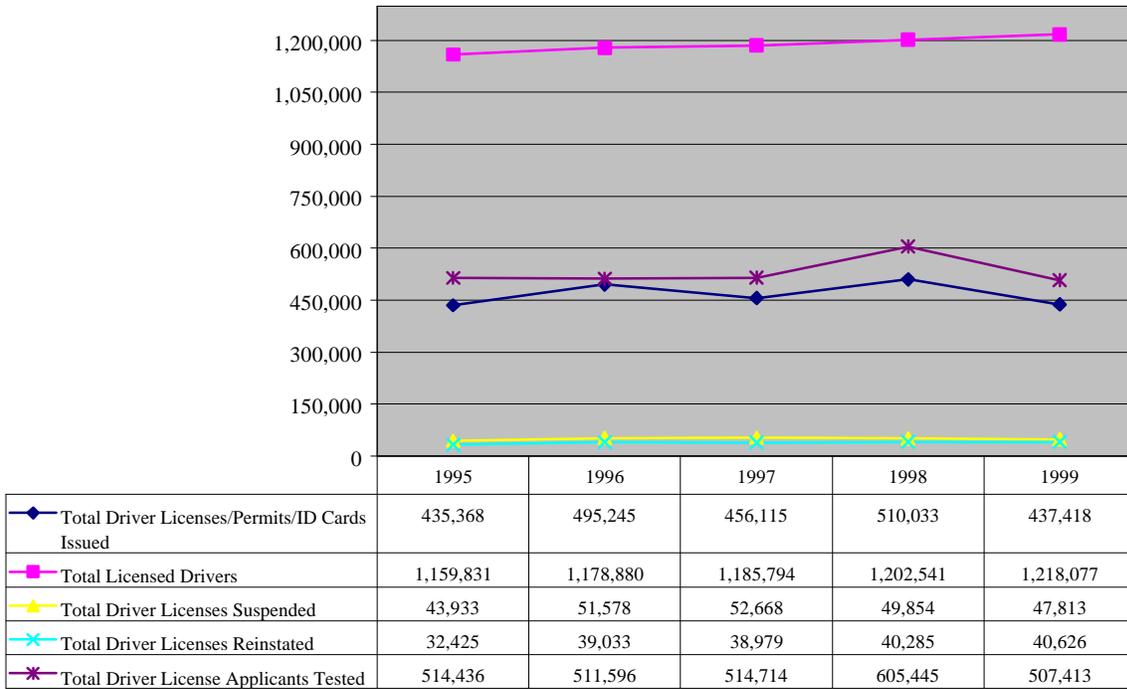
NEBRASKA DEPARTMENT OF MOTOR VEHICLES  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUNDS**  
For the Fiscal Year Ended June 30, 2000

	Highway Cash Fund 2271	Recreation Road Fund 2672	Highway Safety Federal Fund 4242	Highway Safety Fund 4792	Highway Trust Fund 6124	Motor Carriers Service Division Fund 7241	<b>Total Special Revenue Funds</b>
<b>RECEIPTS:</b>							
Intergovernmental	\$ -	\$ -	\$ 1,985,089	\$ 235,551	\$ -	\$ -	\$ 2,220,640
Sales and Charges	290,818	4,614	6,056	-	147,237	-	12,887,517
Miscellaneous	-	-	623	-	-	-	493,131
<b>TOTAL RECEIPTS</b>	<b>290,818</b>	<b>4,614</b>	<b>1,991,768</b>	<b>235,551</b>	<b>147,237</b>	<b>-</b>	<b>15,601,288</b>
<b>DISBURSEMENTS:</b>							
Personal Services	-	-	272,429	-	-	-	6,739,883
Operating	-	-	419,364	-	-	-	6,200,928
Travel	-	-	32,759	-	-	-	231,598
Capital Outlay	-	-	7,441	-	-	-	61,194
Government Aid	-	-	1,274,126	235,551	-	-	1,564,847
<b>TOTAL DISBURSEMENTS</b>	<b>-</b>	<b>-</b>	<b>2,006,119</b>	<b>235,551</b>	<b>-</b>	<b>-</b>	<b>14,798,450</b>
Excess of Receipts Over (Under) Disbursements	290,818	4,614	(14,351)	-	147,237	-	802,838
<b>OTHER FINANCING SOURCES (USES):</b>							
Sales of Assets	-	-	345	-	-	-	529
Operating Transfers In	-	-	-	-	-	-	1,967,420
Deposits to Other Agencies	(290,818)	(4,614)	-	-	(147,237)	-	(840,877)
Distributive Activity:							
Ins	-	-	-	-	-	87,307,038	88,813,648
Outs	-	-	-	-	-	(87,257,823)	(88,783,608)
Loans between Funds	-	-	341,000	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(290,818)</b>	<b>(4,614)</b>	<b>341,345</b>	<b>-</b>	<b>(147,237)</b>	<b>49,215</b>	<b>1,157,112</b>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	-	-	326,994	-	-	49,215	1,959,950
FUND BALANCE, JULY 1, 1999	-	-	122,391	-	-	2,562,650	10,065,745
FUND BALANCE, JUNE 30, 2000	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 449,385</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,611,865</b>	<b>\$ 12,025,695</b>

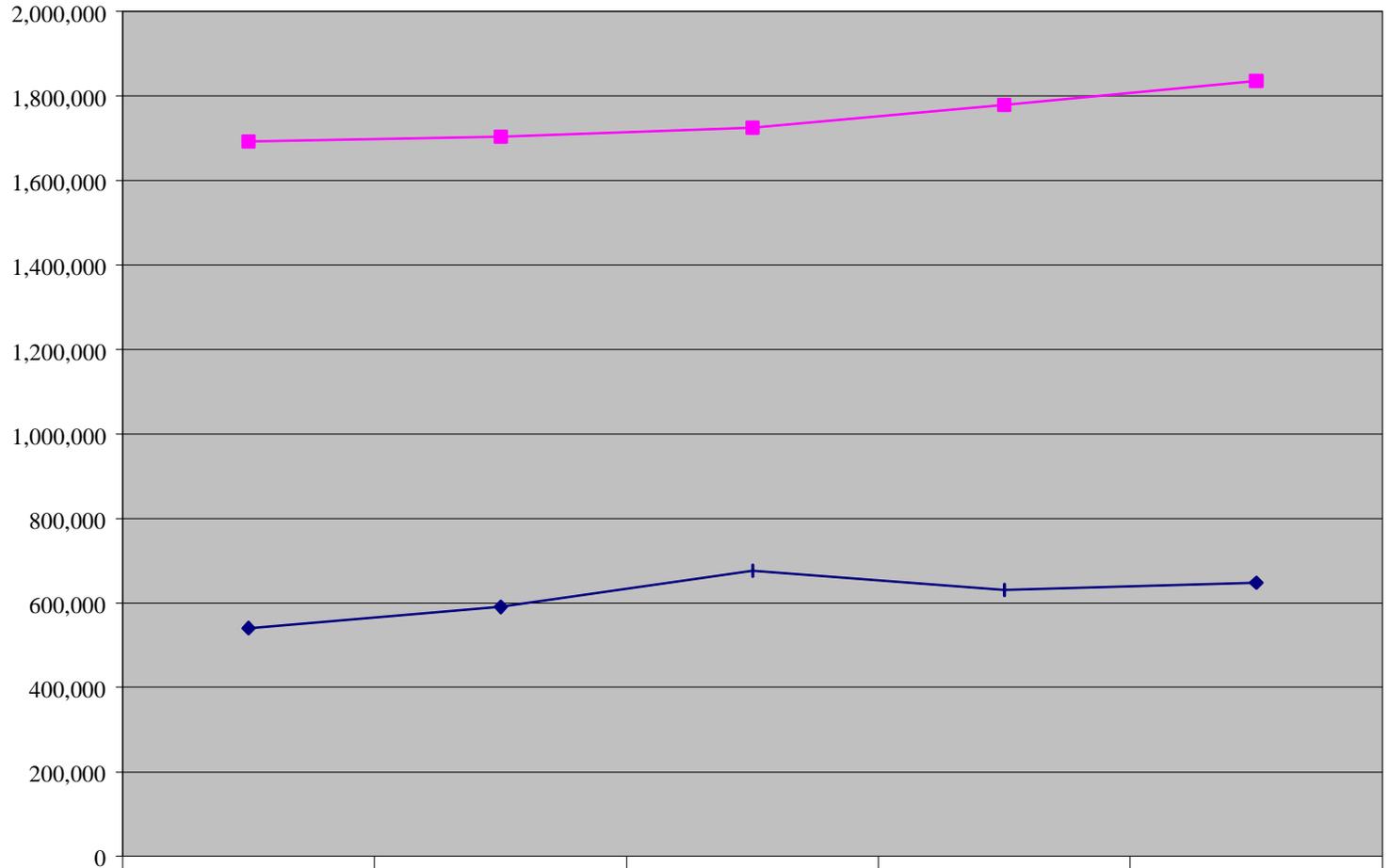
See Notes to Financial Statements.

(Concluded)

**NEBRASKA DEPARTMENT OF MOTOR VEHICLES  
SCHEDULE OF DRIVER RELATED STATISTICS  
FOR CALENDAR YEARS 1995, 1996, 1997, 1998, AND 1999  
(UNAUDITED)**



**NEBRASKA DEPARTMENT OF MOTOR VEHICLES  
SCHEDULE OF VEHICLE RELATED STATISTICS  
FOR CALENDAR YEARS 1995, 1996, 1997, 1998, AND 1999  
(UNAUDITED)**



—◆— Vehicle Titles Issued	540,318	590,193	676,096	630,835	647,949
—■— Vehicle Registrations (excluding Apportioned Vehicles)	1,693,045	1,703,434	1,725,787	1,778,828	1,835,446



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

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

**NEBRASKA DEPARTMENT OF MOTOR VEHICLES  
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 Department of Motor Vehicles as of and for the year ended June 30, 2000, and have issued our report thereon dated March 23, 2001. The report notes the financial statements were prepared on the basis of cash receipts and disbursements and was modified to emphasize that the financial statements present only the funds of the Nebraska Department of Motor Vehicles. 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 Department of Motor Vehicle'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 Department of Motor Vehicles in the Comments Section of this report as Comment Number 2 (International Fuel Tax Agreement (IFTA)), Comment Number 3 (Undercover Plates), and Comment Number 9 (Internal Control Over Payroll).

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Department of Motor Vehicle'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 Department of Motor Vehicle'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 (Vehicle Titling and Registration (VTR) System).

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. We also noted other matters involving internal control over financial reporting that we have reported to management of the Nebraska Department of Motor Vehicles in the Comments Section of the report as Comment Number 3 (Undercover Plates), Comment Number 5 (Reconciliation of Distributive Funds to NAS), Comment Number 6 (Motor Carrier Programmer has Access to Live Data), Comment Number 7 (Lack of Segregation of Duties-Financial Responsibility Division), Comment Number 8 (Inadequate Control Over Receipts-Title and Registration Division), Comment Number 9 (Internal Control Over Payroll), and Comment Number 10 (Fixed Assets).

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

March 23, 2001



Manager