

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

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

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NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS

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# NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS

## **BACKGROUND**

The Board of Examiners for Professional Engineers and Architects was created by the Legislature in 1937. In 1997, legislation changed the name to the Board of Engineers and Architects. The Board consists of eight members appointed by the Governor to five-year terms. Four of the eight are professional engineers, three are professional architects, and one is a public member. An architecture professor and an engineering professor from the University of Nebraska serve as members and are recommended by their colleges' dean. Board members must be U.S. citizens who have lived in Nebraska for at least a year. Members must be licensed and active in engineering or architecture for at least 10 years, and must have been in responsible charge of architecture or engineering work for at least five of those years. The Board meets ten times a year and members are paid \$45 a day when conducting Board business.

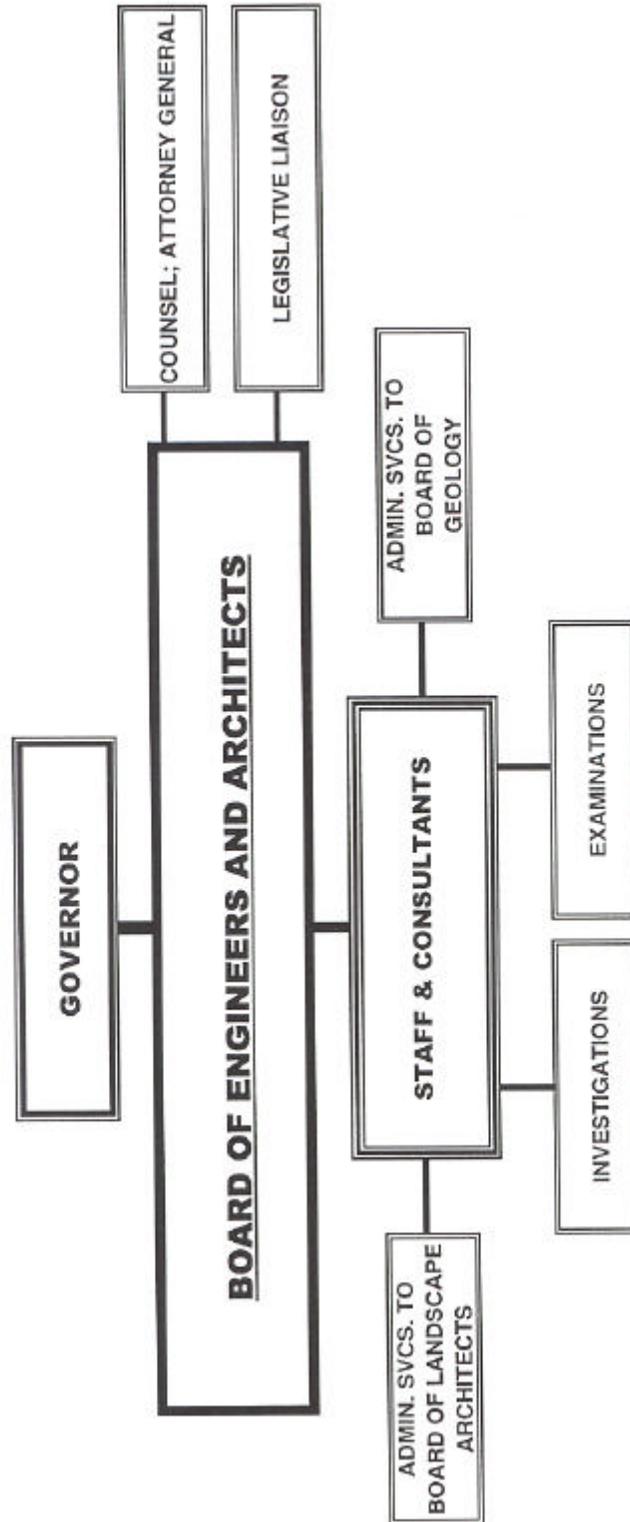
The purpose of the Board is to enforce and administer the laws regulating professional engineers and architects by processing applications, administering examinations to applicants, and registering engineers and architects. The Board also investigates any complaints against engineers and architects to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

## **MISSION STATEMENT**

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

NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS

ORGANIZATIONAL CHART



# NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS

## SUMMARY OF COMMENTS

During our audit of the Nebraska Board of Engineers and Architects, we noted certain matters involving the internal control over financial reporting and other operational matters which are presented here. Comments and recommendations are intended to improve the internal control over financial reporting, ensure compliance, or result in operational efficiencies.

1. ***Fund Balance:*** The Board's fund balance at June 30, 2001 was \$775,376; over two times the total disbursements for the fiscal year.
2. ***Timely Deposit of Receipts:*** Money received for 5 out of 15 receipts tested was not deposited with the State Treasurer within the time frame required by statute.
3. ***Travel Expenses:*** The Board does not have a written travel policy in place, and we noted two of three documents tested included reimbursements for meals that were included in the conference registration.

More detailed information on the above items is provided hereafter. It should be noted this report is critical in nature since it contains only our comments and recommendations on the areas noted for improvement.

Draft copies of this report were furnished to the Board to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. All formal responses received have been incorporated into this report. Responses have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were not verified at this time but will be verified in the next audit.

We appreciate the cooperation and courtesy extended to our auditors during the course of the audit.

NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS

COMMENTS AND RECOMMENDATIONS

1. Fund Balance

Good fiscal policy requires a review of fees charged for services to ensure the appropriateness of the fees charged in relation to the costs of the Board.

We noted the Board's fund balance at June 30, 2001 was \$775,376. This balance was over two times the total disbursements for the fiscal year and is sufficient to pay 25 months of the Board's disbursements. We also noted the fund balance has increased each year since fiscal year 1998 through fiscal year 2001.

	<u>June 30, 1998</u>	<u>June 30, 1999</u>	<u>June 30, 2000</u>	<u>June 30, 2001</u>
Fund Balance	\$ 372,765	\$ 563,244	\$ 677,169	\$ 775,376

We recommend the Board annually review all licensing fees and make adjustments to the fees, as necessary, to reduce the fund balance to an acceptable level.

*Board's Response: The Board of Engineers and Architects realizes that the fund balance is significant. This is due to changes in the law in 1998 and to management decisions resulting in operating efficiencies. The Engineers and Architects Regulation Act, which became effective 1/1/98, required the Board to issue Certificates of Authorization to organizations practicing engineering and architecture in Nebraska. It also enabled the Board to convert from annual license renewals to biennial renewals. Both of these changes resulted in one-time surges in revenue, a phenomenon that will damp down over time. Although revenue is down each year, the A&E fund balance increases each year. This can only be attributed to efficiencies of operation. The gap between revenue and expenses is closing.*

*The Board has adopted a Purpose and Needs policy with respect to the A&E Fund. Its abstract is as follows:*

*Purpose:*

- The purpose of the fund is to provide for unforeseen contingencies.*
- The purpose of the fund is to retain professional assistance for board initiatives.*

*Needs:*

- The fund shall provide for one year of the board's operational budget.*
- The fund shall provide for defense of potential litigation against the board.*
- The fund shall provide for public education initiatives.*

*The rationale is that demand for licensure to practice engineering and architecture in Nebraska will not consistently remain at the high levels the State has enjoyed during the last ten years. In the last five years alone, the percentage of Nebraska licensees living outside the State has increased from 58% to 62%. This, plus the potential for large judgments against the board – a*

# NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS

## COMMENTS AND RECOMMENDATIONS

### 1. **Fund Balance** (Concluded)

*fact whose precedent lies in the Missouri Board's experience with the Hyatt Regency Hotel disaster in Kansas City twenty years ago – has led the Board to prudently plan in order to protect the State of Nebraska against mid-size financial judgments.*

*Although fees charged by the Board are comparable with those of other States, and less than many, the Board regularly reviews the fee structure and will continue to do so. They are also considering changes in fees charged to students of engineering – changes favorable to the students - for the initial exam in the licensing process, the Fundamentals of Engineering examination.*

*Given that over 60% of the fees supporting the Board of Engineers and Architects come from outside Nebraska, it should be apparent that the A&E fund, if properly appropriated, could be a financial boon to the State of Nebraska. The fund needs to be invested in initiatives that will result in solid professions of engineering and architecture, the professions that directly - and daily - impact life, health and property and that fuel economic development in States where the professions are strong.*

### 2. **Timely Deposit of Receipts**

Neb. Rev. Stat. Section 84-710 R.R.S. 1999 states, "It shall be unlawful for any executive department, state institution, board, or officer . . . to receive . . . any money belonging to the state or due for any service rendered by virtue of state authority without paying the same into the state treasury within three business days of the receipt thereof when the aggregate amount is five hundred dollars or more and within seven days of the receipt thereof when the aggregate amount is less than five hundred dollars."

We noted 5 out of 15 receipts tested were not deposited within the required time frame. The receipts were deposited from 2 to 4 days late and totaled \$255. The aggregate deposits were all greater than \$2,000 and totaled \$37,901. A similar comment was noted in our prior audit report.

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

*Board's Response: A new system of license renewal accounting, utilizing bar-code entry and daily deposits, has resolved the previous lag-time difficulties. In addition, it is now possible to pay renewals with credit card, which results in direct deposit to the State Treasurer. The Board will initiate daily deposit of all checks received in the mail.*

**COMMENTS AND RECOMMENDATIONS**

**3. Travel Expenses**

Good internal control requires written policies be in place to ensure employees and members of the Board are aware of requirements regarding reimbursements for travel expenses. Sound business practice requires reimbursements not be made to employees or Board members for expenses included in a conference registration paid by the Board.

During our review of expense reimbursement documents, we noted the following:

- The Board does not have a written policy regarding the documentation required or an acceptable maximum allowed for meal reimbursements.
- Two of three documents tested included reimbursements for meals when meals were included in the conference registration. One member was reimbursed \$33 for breakfast and lunch when the conference registration stated breakfast and lunch were included on that day. The member was also reimbursed \$37 for meals on the last day of the conference when the registration stated lunch and dinner were included. One employee was reimbursed \$22 for dinner when the conference registration stated dinner was included.

We recommend the Board implement a written travel policy that addresses requirements for reimbursements for travel expenses and the documentation required for meal reimbursements. We also recommend the Board implement procedures to ensure meals are not reimbursed when included in the conference registration.

*Board's Response: The Board will develop a written policy on travel expenses. The instances cited, where board members were reimbursed for meals otherwise included in the conference registration fee, were for meals during which other meetings were being conducted concurrently with the conference meal. Several of our members are very active in national aspects of architectural and engineering regulation. Dale Sall is past president of the National Council of Examiners for Engineering and Surveying (NCEES), Melinda Pearson represents Region V on the Board of the National Council of Architectural Registration Boards (NCARB), and Robert Rohde has served several terms as Chair of the Records Committee for NCEES. Often, the registration fees for these people are covered by the national organizations. The Board encourages such involvement, which requires a great deal of personal time by the members. They represent Nebraska well, and should not be penalized for their work.*

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## NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS

### INDEPENDENT AUDITORS' REPORT

**Deann Haeffner, CPA**  
Deputy State Auditor  
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We have audited the financial statements of the Nebraska Board of Engineers and Architects as of and for the fiscal year ended June 30, 2001, as listed in the Table of Contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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**Pat Reding, CPA**  
Asst. Deputy Auditor  
reding@mail.state.ne.us

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.

**Tim Channer, CPA**  
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**Mary Avery**  
SAE/Finance Manager  
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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.

**Dennis Meyer**  
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**Mark Avery**  
Subdivision Audit  
Review Coordinator  
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Also as discussed in Note 1, the financial statements present only the Nebraska Board of Engineers and Architects, and are not intended to present fairly the fund balances and the receipts and disbursements of the State of Nebraska in conformity with the cash receipts and disbursements basis of accounting.

**Robert Hotz, JD**  
Legal Counsel  
robhotz@mail.state.ne.us

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund balances of the Nebraska Board of Engineers and Architects as of June 30, 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 April 15, 2002, on our consideration of the Nebraska Board of Engineers and Architects' 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 schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for 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.

April 15, 2002

Pat Reding, CPA  
Manager

NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS  
**STATEMENT OF ASSETS AND FUND BALANCES AND OTHER CREDITS**  
**ARISING FROM CASH TRANSACTIONS**  
**ALL FUND TYPES AND GENERAL FIXED ASSETS ACCOUNT GROUP**  
June 30, 2001

	Governmental Fund Type	Account Group	Totals (Memorandum Only)
	Special Revenue	General Fixed Assets	
<b><u>Assets</u></b>			
Cash in State Treasury	\$ 774,212	\$ -	\$ 774,212
Deposit with Vendors	1,164	-	1,164
Property, Plant, and Equipment	-	105,355	105,355
 Total Assets	<b>\$ 775,376</b>	<b>\$ 105,355</b>	<b>\$ 880,731</b>
 <b><u>Fund Balances and Other Credits</u></b>			
Other Credits:			
Investment in Fixed Assets	\$ -	\$ 105,355	\$ 105,355
Fund Balances:			
Reserved For Postage	1,164	-	1,164
Unreserved, Undesignated	774,212	-	774,212
 Total Fund Balances and Other Credits	<b>\$ 775,376</b>	<b>\$ 105,355</b>	<b>\$ 880,731</b>

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

NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS  
**STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCE**  
For the Fiscal Year Ended June 30, 2001

	Governmental Fund Type <u>Special Revenue</u>
<b>RECEIPTS:</b>	
Sales and Charges	\$ 409,160
Miscellaneous	<u>51,813</u>
<b>TOTAL RECEIPTS</b>	<u>460,973</u>
<b>DISBURSEMENTS:</b>	
Personal Services	198,813
Operating	133,591
Travel	10,718
Capital Outlay	<u>19,644</u>
<b>TOTAL DISBURSEMENTS</b>	<u>362,766</u>
Excess of Receipts Over Disbursements	98,207
<b>FUND BALANCE, JULY 1, 2000</b>	<u>677,169</u>
<b>FUND BALANCE, JUNE 30, 2001</b>	<u><u>\$ 775,376</u></u>

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

NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE**  
 BUDGET AND ACTUAL  
 Cash Fund  
 For the Fiscal Year Ended June 30, 2001

	CASH FUND		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
<b>RECEIPTS:</b>			
Sales and Charges		\$ 409,160	
Miscellaneous		<u>51,813</u>	
TOTAL RECEIPTS		<u>460,973</u>	
 <b>DISBURSEMENTS:</b>			
Personal Services	\$ 201,280	198,813	\$ 2,467
Operating	184,600	133,591	51,009
Travel	19,588	10,718	8,870
Capital Outlay	<u>9,500</u>	<u>19,644</u>	<u>(10,144)</u>
Total Budgeted	414,968	362,766	52,202
Under Budgeted (Note 6)	<u>79,622</u>	-	<u>79,622</u>
TOTAL DISBURSEMENTS	<u>\$ 494,590</u>	<u>362,766</u>	<u>\$ 131,824</u>
Excess of Receipts Over Disbursements		98,207	
FUND BALANCE, JULY 1, 2000		<u>677,169</u>	
FUND BALANCE, JUNE 30, 2001		<u><u>\$ 775,376</u></u>	

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

NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2001

1. **Summary of Significant Accounting Policies**

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

- A. Reporting Entity.** The Nebraska Board of Engineers and Architects (Board) is a State agency established under and governed by the laws of the State of Nebraska. As such, the Board is exempt from State and Federal income taxes. The financial statements include all funds of the Board. The Board has also considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the Board, or the significance of their relationship with the Board are such that exclusion would be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Board to impose its will on that organization, or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Board.

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

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

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

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

Under the cash receipts and disbursement basis of accounting, revenues are recognized when received and expenditures are recognized when paid. This presentation differs from governmental generally accepted accounting principles (GAAP), which requires the use of the modified accrual basis for governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when they are considered susceptible to accrual and expenditures are recognized when the liability is incurred.

- C. Fund Accounting.** The accounts and records of the Board are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts which 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 type and account group presented on the financial statements are those required by GAAP, and include:

**Special Revenue Funds.** Reflect transactions related to resources received and used for restricted or specific purposes.

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

This fund type classification differs from the budgetary fund types used by the Nebraska Accounting System.

The fund type established by the Nebraska Accounting System that is used by the Board is:

**2000 - Cash Funds** - account for receipts generated by specific activities from sources outside of State government and the disbursements directly related to the generation of the receipts.

- D. Budgetary Process.** The State's biennial budget cycle ends on June 30 of the odd-numbered years. By September 15, prior to a biennium, the Board and all other State agencies must submit their budget request for the biennium beginning the following July 1. The requests are submitted on forms that show estimated funding requirements by programs, sub-programs, and activities. The Executive Branch reviews the requests, establishes priorities, and balances the budget within the estimated resources available during the upcoming biennium.

NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 cash fund type 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 cash fund appropriations must also be approved by the Legislature as a deficit appropriations bill.

The Board utilizes encumbrance accounting to account for purchase orders, contracts, and other disbursement commitments. However, State law does not require that all encumbrances be recorded in the State's centralized accounting system, and, as a result, the encumbrances that were recorded in the accounting system have not been included in the accompanying financial statements, except for the impact as described below.

Under State budgetary procedures, appropriation balances related to outstanding encumbrances at the end of the biennium are lapsed and reappropriated in the first year of the next biennium. The effect of the Board's current procedure is to include in the budget columns, Total Disbursements line, of the Statement of Receipts, Disbursements, and Changes in Fund Balances - Budget and Actual the current year's appropriations plus the amounts reappropriated for encumbrances

NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

outstanding at the end of the prior biennium. This procedure indicates the Board's intention to honor the encumbrances at the end of a biennium. The disbursements columns of the Statement include cash payments related to the appropriated and reappropriated amounts. For the year ended June 30, 2001, there were no budgetary funds in which disbursements exceeded appropriations.

Budgets for object of expenditure accounts are included in the Nebraska Department of Administrative Services Budget Status Report.

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

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

- E. Fixed Assets.** General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as disbursements in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost, where historical records are available, and at an estimated historical cost, where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Assets on hand as of June 30, 2001 have been recorded at cost by the Board. Generally, equipment which has an expected useful life of two or more years is capitalized.

Assets in the general fixed assets account group are not depreciated. Fixed assets do not include infrastructure, such as roads and bridges, as these assets are immovable and of value only to the government. The cost of normal maintenance and repairs that does not add to the value of the asset or extend asset life is not capitalized.

- F. Cash in State Treasury.** Cash in the State Treasury represents the cash balance of a fund as reflected on the Nebraska Accounting System. Investment of all available cash is made by the State Investment Officer, on a daily basis, based on total bank balances. Investment income is distributed based on the average daily book cash balance of funds designated for investment. Determination of whether a fund is considered designated for investment is done on an individual fund basis. All of the funds of the Board were designated for investment during fiscal year 2001.

NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

**H. Compensated Absences.** All permanent employees working for the Board earn sick and annual leave. Temporary and intermittent employees and Board and Commission members are not eligible for paid leave. Under GAAP, the vested portion of the employee's compensated absences is recorded in the Long Term Debt Account Group for governmental funds. Under the receipts and disbursements basis of accounting, the balances which would otherwise be reported in the Long Term Debt Account Group are not reported since they do not represent balances arising from Cash Transactions.

**I. Receipts.** The major account titles and descriptions as established by the Nebraska Accounting System that are used by the Board are:

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

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

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

**Personal Services.** Salaries, wages, and related employee benefits provided for all persons employed by a government.

**Operating.** Disbursements directly related to a program's primary service activities.

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

**Capital Outlay.** Disbursements which result in the acquisition of or an addition to fixed assets. Fixed assets are resources of a long-term character, owned or held by the government.

NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

**K. 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, such as postage deposits.

2. **Totals**

The Totals "Memorandum Only" column represents an aggregation of individual account balances. The column is presented for overview informational purposes and does not present consolidated financial information since interfund balances and transactions have not been eliminated.

3. **Contingencies and Commitments**

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

- A. Motor vehicle liability, which is insured for the first \$5 million of exposure per accident. Insurance is also purchased for medical payments, physical damage, and uninsured and underinsured motorists with various limits and deductibles. State Agencies have the option to purchase coverage for physical damage to vehicles.
- B. The DAS-Personnel Division maintains health care and life insurance for eligible employees.
- C. Crime coverage, with a limit of \$1 million for each loss, and a \$10,000 retention per incident.
- D. Real and personal property on a blanket basis for losses up to \$250,000,000, with a self-insured retention of \$200,000 per loss occurrence. Newly-acquired properties are covered up to \$1,000,000 for 60 days or until the value of the property is reported to the insurance company. The perils of flood and earthquake are covered up to \$10,000,000.

NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

- E. State Agencies have the option to purchase building contents and inland marine coverage.

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

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

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

The Plan is a single-employer defined contribution plan administered by the Public Employees Retirement Board in accordance with the provisions of the State Employees Retirement Act and may be amended by legislative action. In the defined contribution plan, retirement benefits depend on total contributions, investment earnings, and the investment options selected. Membership in the Plan is mandatory for all permanent full-time employees on reaching the age of thirty and completion of twenty-four months of continuous service. Full time employee is defined as an employee who is employed to work one-half or more of the regularly scheduled hours during each pay period. Voluntary membership is permitted for all permanent full-time or permanent part-time employees upon reaching age twenty and completion of twelve months of permanent service within a five-year period. Any individual appointed by the Governor may elect to not become a member of the Plan.

Employees contribute 4.33% of their monthly compensation until such time as they have paid during any calendar year a total of eight hundred sixty four dollars, after which time they shall pay a sum equal to 4.8% of their monthly compensation for the remainder of such calendar year. The Board matches the employee's contribution at a rate of 156% of the employee's contribution.

NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

For the Fiscal Year Ended June 30, 2001, employees contributed \$6,746 and the Board contributed \$10,523.

5. **Fixed Assets**

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

	Balance July 1, 2000	Additions	Retirements	Balance June 30, 2001
Equipment	\$ 84,308	\$ 21,079	\$ 32	\$ 105,355

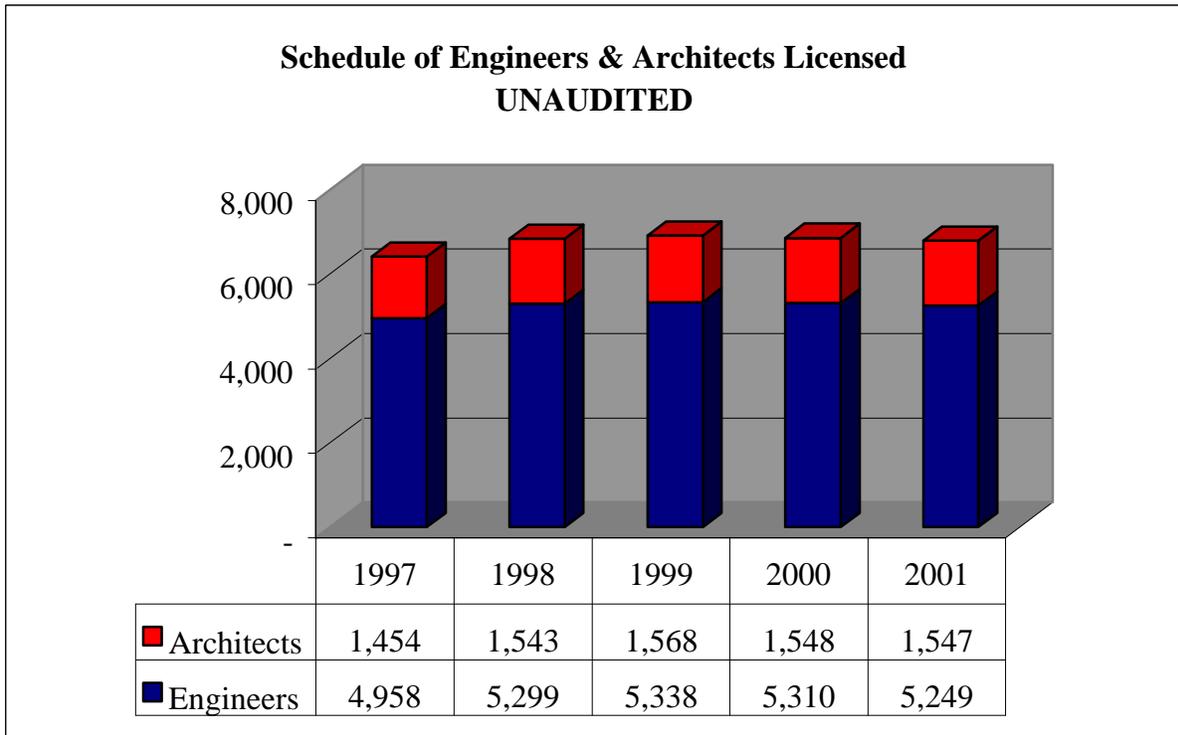
6. **Under Budgeted**

Budgeted disbursements are amounts reflected on the Board's Budget Status Report. The difference occurred because the legislative appropriation is based on anticipated appropriation needs two years in advance while budgeted disbursements on the budget status are based on more current information available to management.

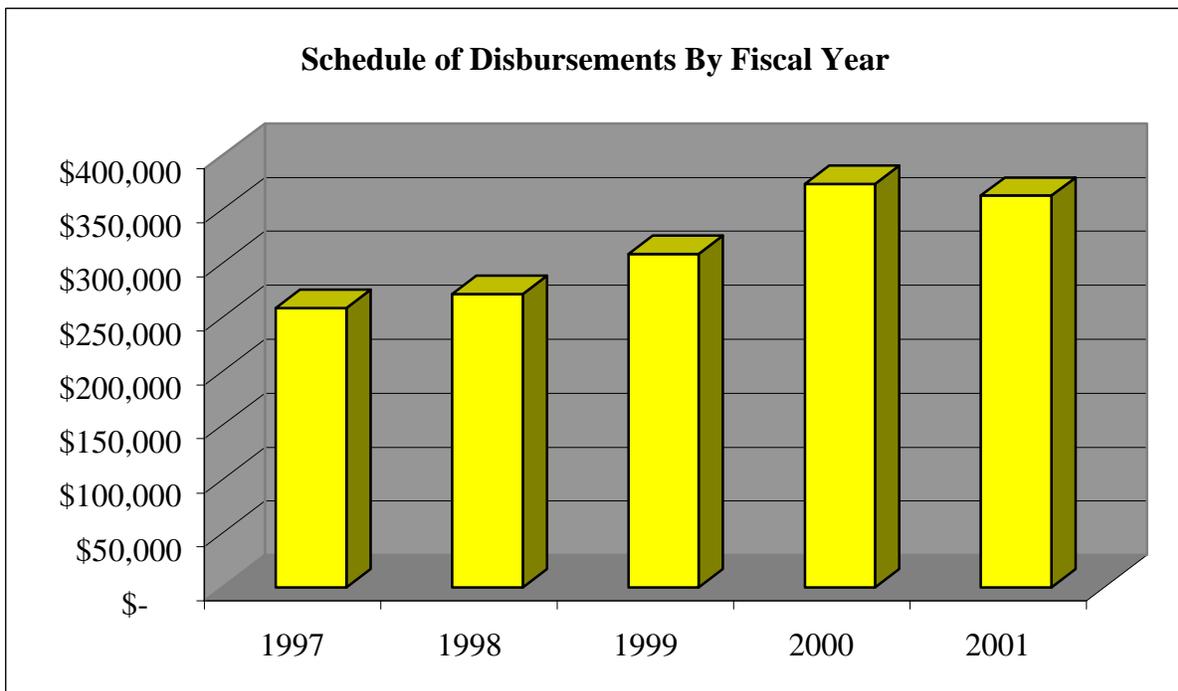
7. **GASB 34**

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

NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS  
**SCHEDULE OF SERVICE EFFORTS AND ACCOMPLISHMENTS**  
 For Fiscal Years Ended June 30, 1997 through 2001



Source: Nebraska Board of Engineers and Architects Annual Reports



# STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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## NEBRASKA BOARD OF ENGINEERS AND ARCHITECTS **REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Deann Haeffner, CPA  
Deputy State Auditor  
haeffner@mail.state.ne.us

We have audited the financial statements of the Nebraska Board of Engineers and Architects as of and for the year ended June 30, 2001, and have issued our report thereon dated April 15, 2002. The report notes the financial statements were prepared on the basis of cash receipts and disbursements and was modified to emphasize that the financial statements present only the funds of the Nebraska Board of Engineers and Architects. 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.

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### Compliance

As part of obtaining reasonable assurance about whether the Nebraska Board of Engineers and Architects' 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 a certain immaterial instance of noncompliance that we have reported to management of the Nebraska Board of Engineers and Architects in the Comments Section of this report as Comment Number 2 (Timely Deposit of Receipts).

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Board of Engineers and Architects' 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. 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 statements 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. However, we noted another matter involving the internal control over financial reporting that we have reported to management of Nebraska Board of Engineers and Architects in the Comments Section of this report as Comment Number 3 (Travel Expenses).

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

April 15, 2002

Pat Reding, CPA  
Manager