

**AUDIT REPORT
OF THE
NEBRASKA DEPARTMENT OF ADMINISTRATIVE
SERVICES - PROGRAM 101
OFFICE OF THE CHIEF INFORMATION OFFICER**

JULY 1, 2000 THROUGH JUNE 30, 2001

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES
PROGRAM 101 - OFFICE OF THE CHIEF INFORMATION OFFICER

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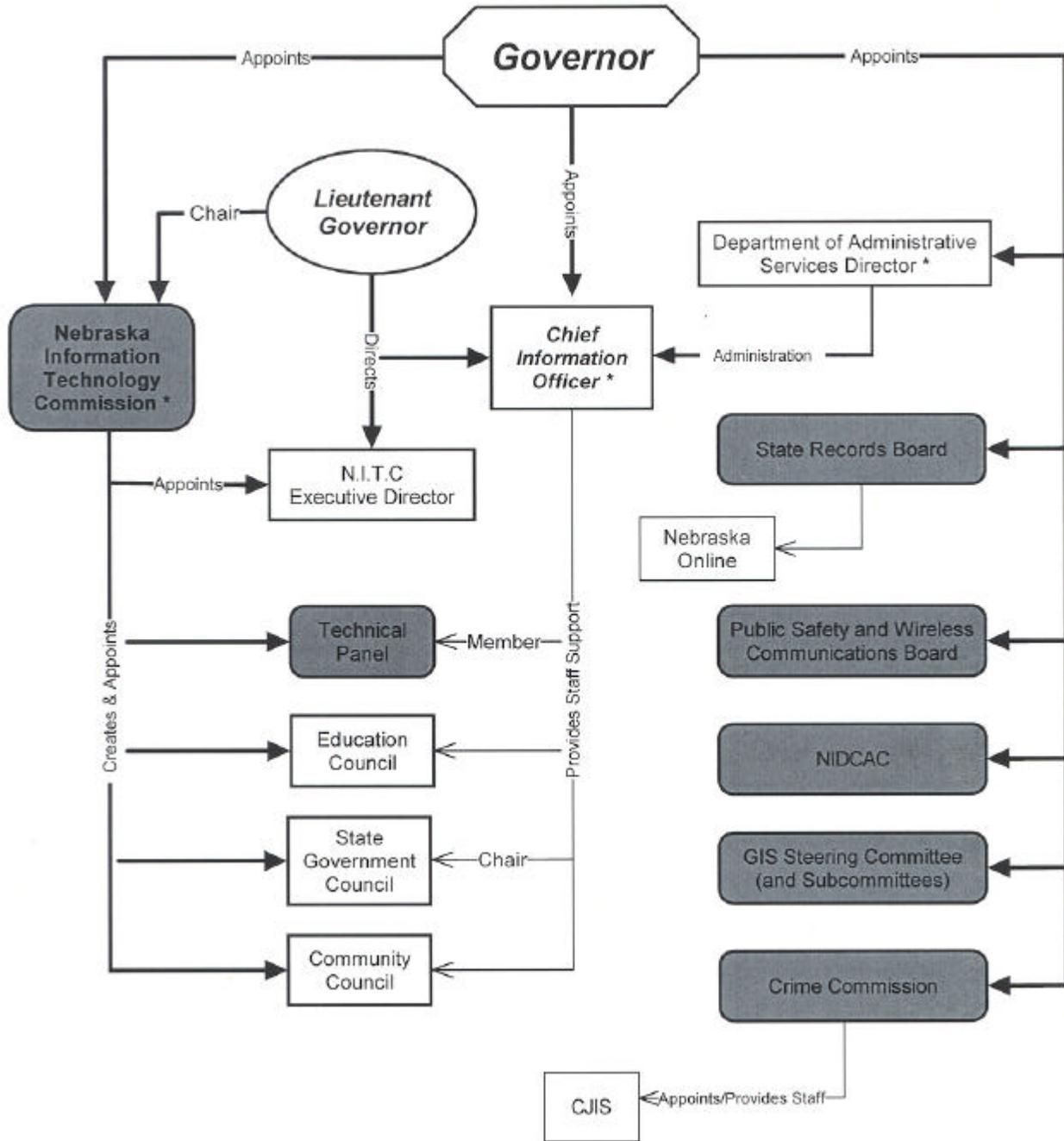
NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES
PROGRAM 101 - OFFICE OF THE CHIEF INFORMATION OFFICER

BACKGROUND

The Office of the Chief Information Officer (CIO), created by the 1998 Legislature, works with State agencies and the Nebraska Information Technology Commission (NITC) to ensure cost-effective and efficient use of State resources and investments in information technology. The CIO assists the NITC and its work groups to help communities and educational entities with preparing a statewide technology plan and strategies for utilizing information technology to improve the economy and opportunities in all parts of the State. The Chief Information Officer is appointed by the Governor and confirmed by the Legislature.

Organizational Chart

Office of the Chief Information Officer and the Nebraska Information Technology Commission



Entities Created by Statute

* Confirmed by the Legislature

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES
PROGRAM 101 - OFFICE OF THE CHIEF INFORMATION OFFICER

SUMMARY OF COMMENTS

During our audit of the Nebraska Department of Administrative Services - Program 101 - Office of the Chief Information Officer, we noted certain matters involving the internal control over financial reporting and other operational matters that are presented here. Comments and recommendations are intended to improve the internal control over financial reporting, ensure compliance, or result in operational efficiencies.

1. ***Review of Payroll Transactions:*** We noted no one at the program level was reviewing payroll transactions or reports for propriety.
2. ***Segregation of Duties Over Fixed Assets:*** We noted one individual handled all aspects of accounting for fixed assets.
3. ***Meal Reimbursement Policy:*** As of December 15, 2000 the State of Nebraska adopted an accountable plan for meal reimbursements. We noted the program did not have a policy in place to reflect the new meal policy changes.

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 Program 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 ADMINISTRATIVE SERVICES
PROGRAM 101 - OFFICE OF THE CHIEF INFORMATION OFFICER

COMMENTS AND RECOMMENDATIONS

1. Review of Payroll Transactions

The Department of Administrative Services Central Office processes all Program 101 payroll transactions. However, no one at the program level was reviewing payroll transactions or reports for propriety. In addition, the Chief Information Officer was reviewing the monthly Nebraska Accounting System (NAS) General Ledger and Budget Status reports but was not documenting this review.

Good internal controls require management review of transactions that are processed outside of the Program. Without this review there is an increased risk of loss or misuse of State funds.

We recommend the Program review procedures to ensure adequate controls are in place over payroll. This could include having management periodically review the payroll calculate or change report. This review should be documented. In addition, we recommend the review of the NAS General Ledger and Budget Status reports be documented.

Program's Response: I will ask for a copy of the payroll change report and will document my review. When NIS is implemented, I will examine comparable reports on the new system and investigate ways to document that review. Since December, I have documented my monthly examination of the NAS General Ledger and Budget Status Report. I will continue that practice until NIS is implemented. When NIS is implemented, I will examine comparable reports on the new system and investigate ways to document that review.

2. Segregation of Duties Over Fixed Assets

We noted one employee was responsible for handling all aspects of the accounting for fixed assets, including maintaining the records, adding new purchases, preparing surplus property documents, deleting items from the records, and completing the physical inventory.

Good internal control requires a plan of organization, procedures, and records designed to safeguard assets. A good system of control should include a segregation of duties so no one individual can handle all phases of a process from the beginning to the end.

Without good internal controls to ensure a segregation of duties exists, there is an increased risk of the loss or misuse of State property.

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES
PROGRAM 101 - OFFICE OF THE CHIEF INFORMATION OFFICER

COMMENTS AND RECOMMENDATIONS

2. Segregation of Duties Over Fixed Assets (Concluded)

We recommend the Program review procedures to ensure adequate controls are in place over fixed assets. This could include having management review the fixed asset listing for accuracy at least annually. This review should be documented.

Program's Response: I will implement the recommended change in procedures. When NIS is implemented, I will examine comparable reports on the new system and investigate ways to document that review.

3. Meal Reimbursement Policy

As of December 15, 2000, the State of Nebraska adopted an accountable plan for meal reimbursements. Per the NAS Manual CONC-005, Travel Expense Policies, Section (5)(a), "Adequate accounting generally requires the use of a documentation record such as an account book, expense diary or log, or similar record near the time of incurrence of the expense. Such log should list the date, amount and place (e.g. city) for **each** meal/food cost. A combination of receipts and detailed itemization is permitted."

We noted the Program did not have a policy in place to reflect the new meal policy changes. Unsubstantiated meals may be reimbursed if the Program does not institute and enforce the accountable meal policy plan.

We recommend the Program develop and implement a meal reimbursement policy as outlined in the NAS Manual's Travel Expense Policies.

Program's Response: DAS is developing a form for logging travel expenses, including "each meal/food cost." As soon as it adopted, we will implement the form for all travel reimbursements. When NIS is implemented, we will either continue this paper documentation or examine comparable ways to document meal expenses.

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NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES PROGRAM 101 - OFFICE OF THE CHIEF INFORMATION OFFICER

INDEPENDENT AUDITORS' REPORT

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

We have audited the financial statements of the Nebraska Department of Administrative Services - Program 101 - Office of the Chief Information Officer 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 Program's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Don Dunlap, CPA
Asst. Deputy Auditor
aud1010@vmhost.cdp.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.

Pat Reding, CPA
Asst. Deputy Auditor
aud1008@vmhost.cdp.state.ne.us

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.

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Also as discussed in Note 1, the financial statements present only the Nebraska Department of Administrative Services - Program 101 - Office of the Chief Information Officer, 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.

Mark Avery
Subdivision Audit
Review Coordinator
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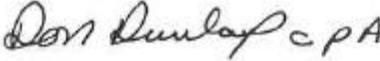
Robert Hotz, JD
Legal Counsel
robhotz@mail.state.ne.us

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund balances of the Nebraska Department of Administrative Services - Program 101 - Office of the Chief Information Officer 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 January 10, 2002, on our consideration of the Nebraska Department of Administrative Services - Program 101 - Office of the Chief Information Officer's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Nebraska Department of Administrative Services - Program 101 - Office of the Chief Information Officer. Such information 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.

January 10, 2002


Manager

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES
PROGRAM 101- OFFICE OF THE CHIEF INFORMATION OFFICER
**STATEMENT OF ASSETS AND OTHER CREDITS ARISING FROM
CASH TRANSACTIONS - GENERAL FIXED ASSETS ACCOUNT GROUP**

June 30, 2001

	<u>Account Group</u>	
<u>Assets</u>	General Fixed Assets	Totals (Memorandum Only)
Property, Plant, and Equipment	\$ 25,944	\$ 25,944
Total Assets	\$ 25,944	\$ 25,944
<u>Other Credits</u>		
Other Credits:		
Investment in Fixed Assets	\$ 25,944	\$ 25,944
Total Other Credits	\$ 25,944	\$ 25,944

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

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES
PROGRAM 101- OFFICE OF THE CHIEF INFORMATION OFFICER
**STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES**
For the Fiscal Year Ended June 30, 2001

	Governmental Fund Type
	General
RECEIPTS:	
Appropriations (Note 2)	\$ 852,047
Miscellaneous	47,875
TOTAL RECEIPTS	899,922
DISBURSEMENTS:	
Personal Services	365,568
Operating (Note 7)	85,115
Travel	18,435
Capital Outlay (Note 7)	16,507
Government Aid (Note 7)	366,422
TOTAL DISBURSEMENTS	852,047
Excess of Receipts Over Disbursements	47,875
OTHER FINANCING USES:	
Deposits to State General Fund	(47,875)
TOTAL OTHER FINANCING USES	(47,875)
Excess of Receipts Over Disbursements and Other Financing Uses	-
FUND BALANCE, JULY 1, 2000	-
FUND BALANCE, JUNE 30, 2001	\$ -

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

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES
PROGRAM 101- OFFICE OF THE CHIEF INFORMATION OFFICER
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2001

	GENERAL FUND		
		ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
	BUDGET		
RECEIPTS:			
Appropriations		\$ 852,047	
Miscellaneous		<u>47,875</u>	
TOTAL RECEIPTS		<u>899,922</u>	
DISBURSEMENTS:			
Personal Services	\$ 373,089	365,568	\$ 7,521
Operating	688,998	85,115	603,883
Travel	19,500	18,435	1,065
Capital Outlay	41,742	16,507	25,235
Government Aid	<u>361,469</u>	<u>366,422</u>	<u>(4,953)</u>
TOTAL DISBURSEMENTS	<u>1,484,798</u>	<u>852,047</u>	<u>632,751</u>
Excess of Receipts Over Disbursements		<u>47,875</u>	
OTHER FINANCING USES:			
Deposit to State General Fund		<u>(47,875)</u>	
TOTAL OTHER FINANCING USES		<u>(47,875)</u>	
Excess of Receipts Over Disbursements and Other Financing Uses			-
FUND BALANCES, JULY 1, 2000		<u>-</u>	
FUND BALANCES, JUNE 30, 2001		<u>\$ -</u>	

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

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES
PROGRAM 101 - OFFICE OF THE CHIEF INFORMATION OFFICER

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2001

1. Summary of Significant Accounting Policies

The accounting policies of the Nebraska Department of Administrative Services - Program 101 - Office of the Chief Information Officer are on the basis of accounting as described in the Nebraska Accounting System Manual.

- A. Reporting Entity.** The Nebraska Department of Administrative Services - Program 101 - Office of the Chief Information Officer (Program) is a Program within the Nebraska Department of Administrative Services. The Nebraska Department of Administrative Services is a State agency established under and governed by the laws of the State of Nebraska. As such, the Program is exempt from State and Federal income taxes. The financial statements include all funds of the Program.

The Nebraska Department of Administrative Services - Program 101 - Office of the Chief Information Officer 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 Program are maintained and the Program'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 Program. 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.

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.

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting. The accounts and records of the Program 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:

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.

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

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 Program are:

1000 - General Fund - accounts for all financial resources not required to be accounted for in another fund.

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 Program and all other State agencies must submit their budget request for the biennium beginning the following July 1. The requests are submitted on forms that show estimated funding requirements by programs, sub-programs, and activities. The Executive Branch reviews the requests, establishes priorities, and balances the budget within the estimated resources available during the upcoming biennium.

The Governor's budget bill is submitted to the Legislature in January. The Legislature considers revisions to the bill and submits the revised appropriation bill to the Governor for signature. The Governor 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.

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES
PROGRAM 101 - OFFICE OF THE CHIEF INFORMATION OFFICER

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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 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 general appropriations must also be approved by the Legislature as a deficit appropriations bill.

The Program 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 Program's current procedure is to include in the budget columns, Total Disbursement 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 Program'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

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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.

- 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 Program. Generally, equipment which has a cost in excess of \$1,500 at the date of acquisition and 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. Compensated Absences.** All permanent employees working for the Program earn sick and annual leave and are allowed to accumulate compensatory leave rather than being paid overtime. Temporary and intermittent employees and Board and Commission members are not eligible for paid leave. Under GAAP, the vested portion of the employee's compensated absences is recorded in the Long Term Debt Account Group for governmental funds. Under the receipts and disbursements basis of accounting, the balances which would otherwise be reported in the Long Term Debt Account Group are not reported since they do not represent balances arising from Cash Transactions.

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

Appropriations. Appropriations are granted by the Legislature to make disbursements and to incur obligations. The amount of appropriations reported as receipts is the amount spent.

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES
PROGRAM 101 - OFFICE OF THE CHIEF INFORMATION OFFICER

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Concluded)

Miscellaneous. Receipts from sources not covered by other major categories. This consists of a miscellaneous adjustment due to a refund of unused government aid.

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

2. Contingencies and Commitments

Risk Management. The Program 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 Program, 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.

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES
PROGRAM 101 - OFFICE OF THE CHIEF INFORMATION OFFICER

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. Contingencies and Commitments (Concluded)

- 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.
- 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 Department of Administrative Services - Program 101 - Office of the Chief Information Officer's financial statements.

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

3. 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

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES
PROGRAM 101 - OFFICE OF THE CHIEF INFORMATION OFFICER

NOTES TO FINANCIAL STATEMENTS
(Continued)

3. State Employees Retirement Plan (Plan) (Concluded)

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 Program 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, 2001, employees contributed \$13,711 and the Program contributed \$21,388.

4. 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	\$ 13,188	\$ 12,756	\$ -	\$ 25,944

5. Full Accountability of the General Fund

Only the cash transactions are reported on the financial statements for this fund. They do not show appropriations. To show the full accountability over this fund the following schedules reflect appropriations. Appropriations do not represent cash transactions.

General Fund	
Beginning (Reappropriated) Balance July 1, 2000	\$ 567,488
New Appropriations	917,310
Total Appropriations	1,484,798
Disbursements	(852,047)
Ending (Appropriations) Balance June 30, 2001	\$ 632,751

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES
PROGRAM 101 - OFFICE OF THE CHIEF INFORMATION OFFICER

NOTES TO FINANCIAL STATEMENTS

(Continued)

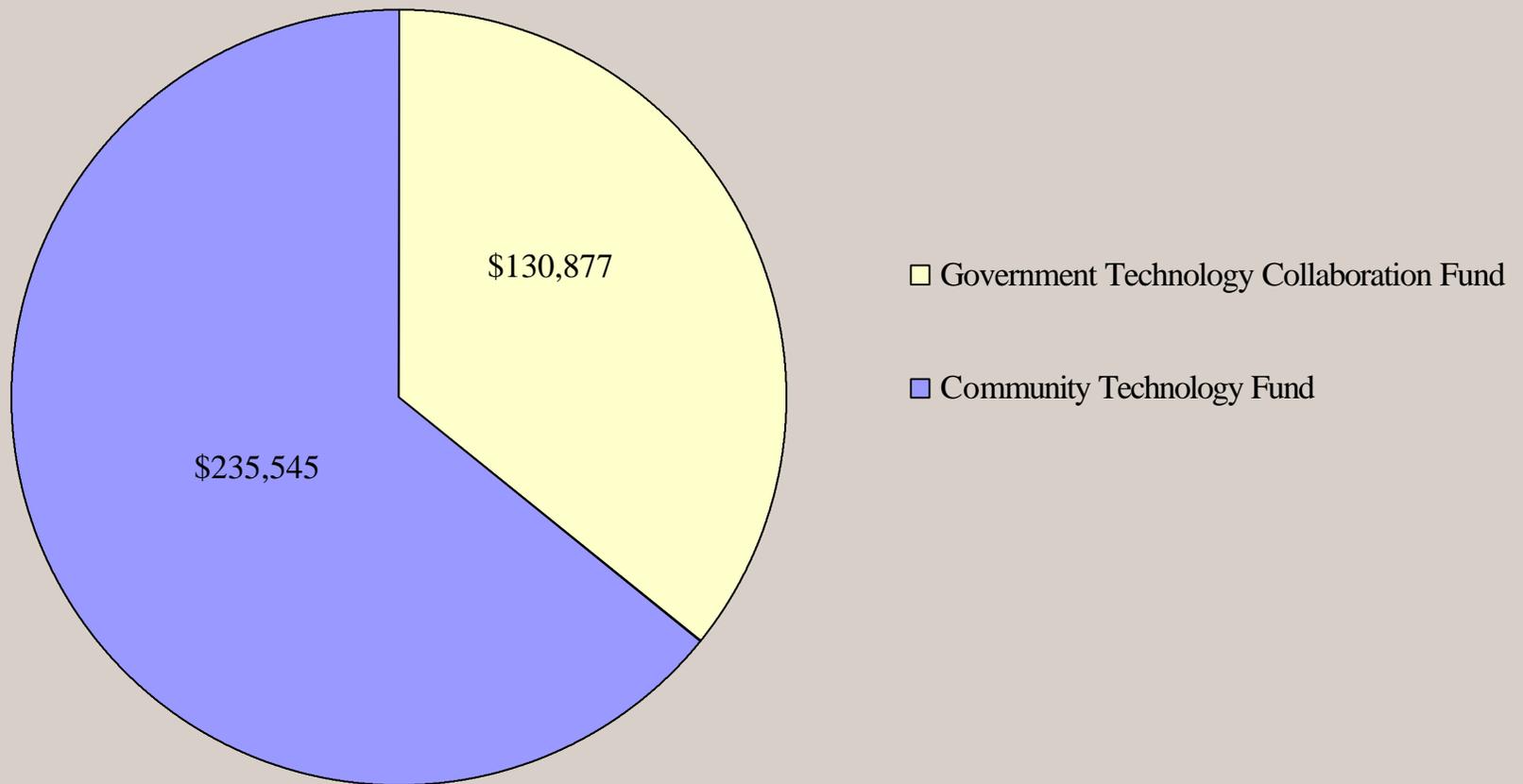
6. GASB 34

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.

7. Appropriations, Operating, Capital Outlay, and Government Aid

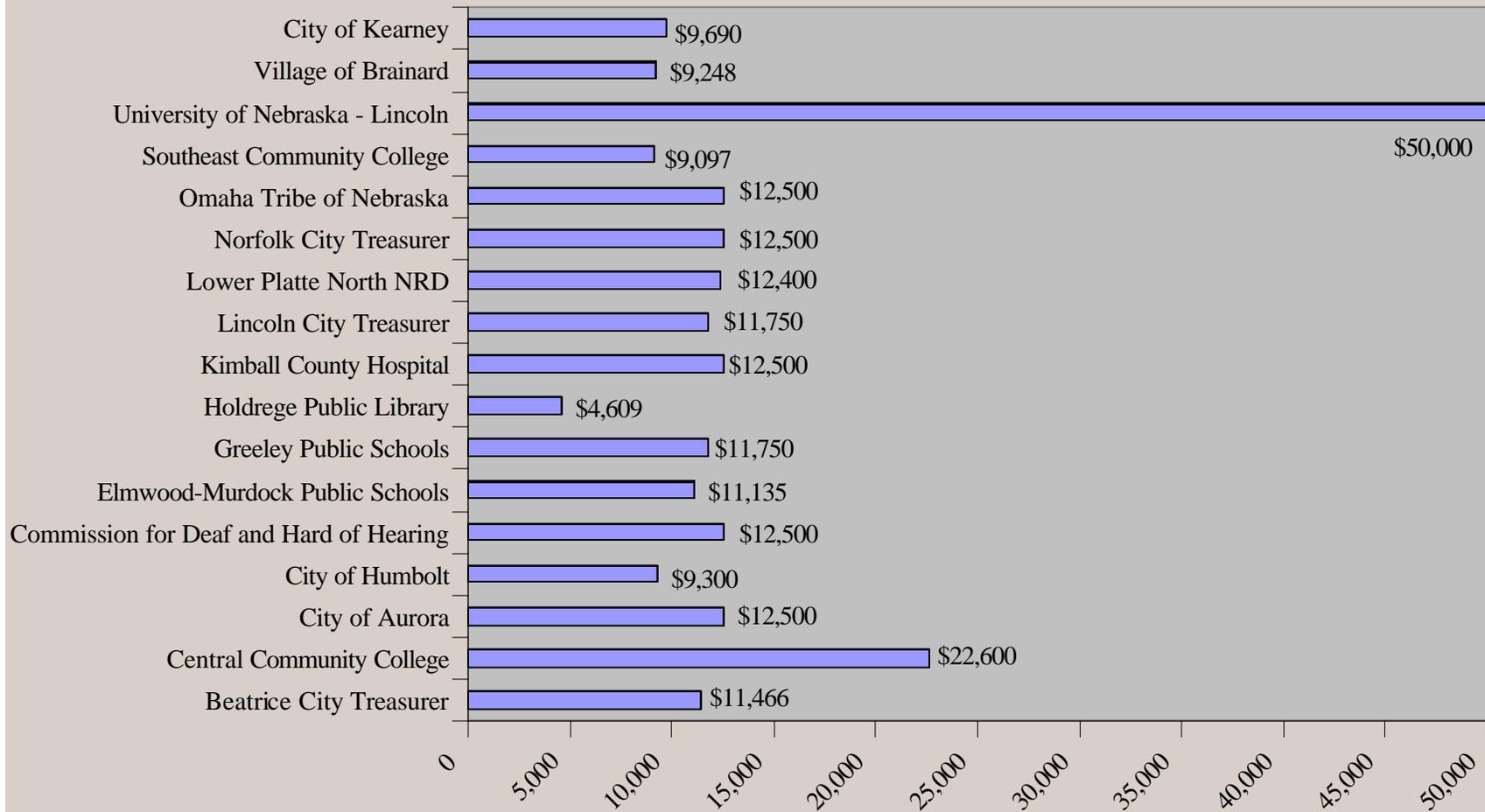
Appropriations were increased by \$25,000, Operating expenses were decreased by \$84,918, Capital Outlay expenses were decreased by \$30,452, and Government Aid expenses were increased by \$140,370 to correctly represent the activity of the Program.

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES
PROGRAM 101 - OFFICE OF THE CHIEF INFORMATION OFFICER
SCHEDULE OF TOTAL GRANT PAYMENTS BY FUND
For the Fiscal Year Ended June 30, 2001



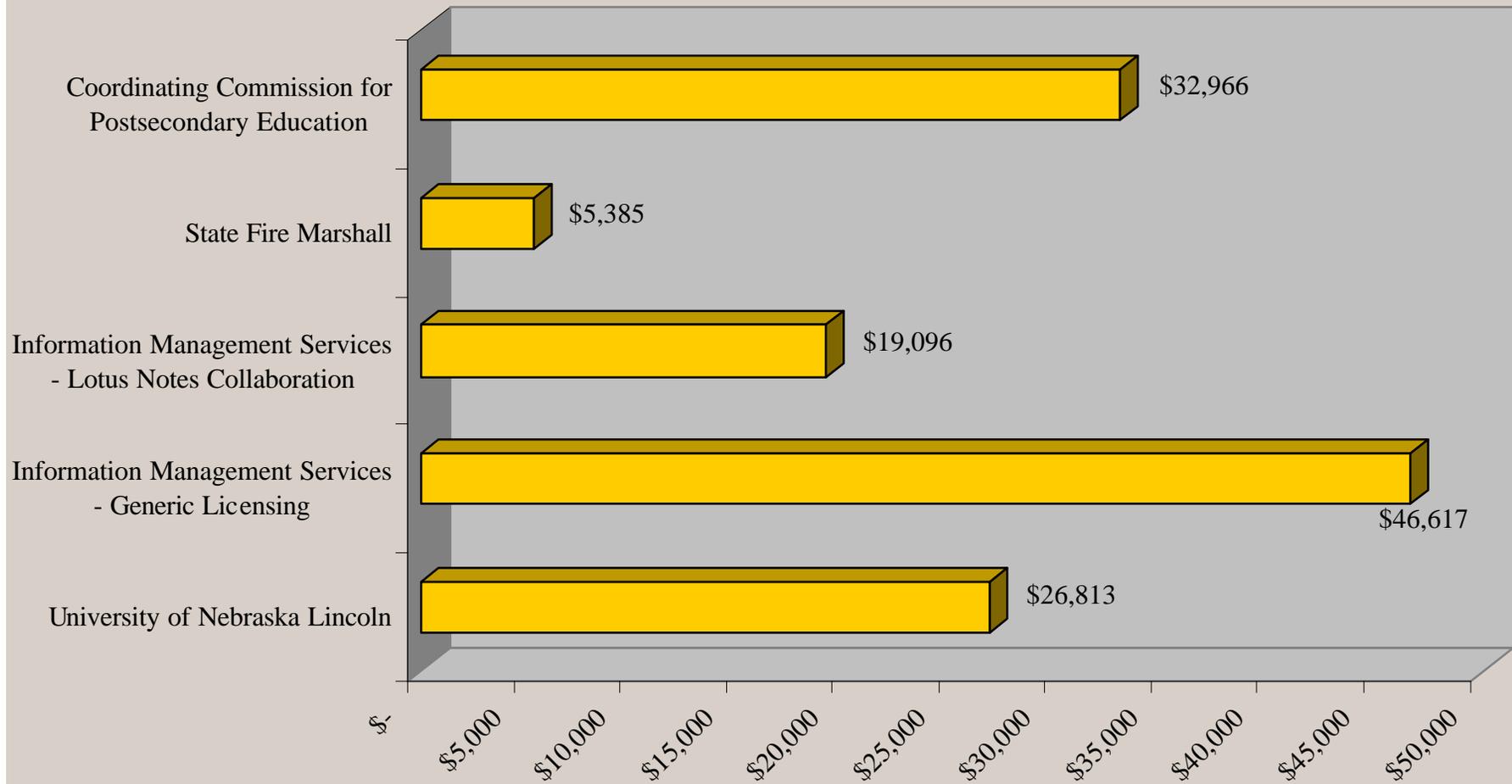
NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES
PROGRAM 101 - OFFICE OF THE CHIEF INFORMATION OFFICER
SCHEDULE OF COMMUNITY TECHNOLOGY FUND GRANT PAYMENTS

For the Fiscal Year Ended June 30, 2001



NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES
PROGRAM 101 - OFFICE OF THE CHIEF INFORMATION OFFICER
SCHEDULE OF GOVERNMENT TECHNOLOGY COLLABORATION FUND
GRANT PAYMENTS

For the Fiscal Year Ended June 30, 2001



STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS



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NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES
PROGRAM 101 - OFFICE OF THE CHIEF INFORMATION OFFICER
**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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We have audited the financial statements of the Nebraska Department of Administrative Services - Program 101 - Office of the Chief Information Officer as of and for the year ended June 30, 2001, and have issued our report thereon dated January 10, 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 Department of Administrative Services - Program 101 - Office of the Chief Information Officer. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Nebraska Department of Administrative Services - Program 101 - Office of the Chief Information Officer'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 also noted certain immaterial instances of noncompliance that we have reported to management of the Nebraska Department of Administrative Services - Program 101 - Office of the Chief Information Officer in the Comments Section of this report as Comment Number 3 (Meal Reimbursement Policy).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Department of Administrative Services - Program 101 - Office of the Chief Information Officer'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. 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 other matters involving the internal control over financial reporting that we have reported to management of Nebraska Department of Administrative Services - Program 101 - Office of the Chief Information Officer in the Comments Section of this report as Comment Number 1 (Review of Payroll Transactions) and Comment Number 2 (Segregation of Duties Over Fixed Assets).

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

January 10, 2002



Manager