

**ATTESTATION REPORT
OF THE
NEBRASKA WHEAT DEVELOPMENT,
UTILIZATION, AND MARKETING BOARD**

**JULY 1, 2002 THROUGH JUNE 30, 2003
AND FOR THE PERIOD
JULY 1, 2003 THROUGH MARCH 31, 2004**

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NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
AND MARKETING BOARD

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NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
AND MARKETING BOARD

BACKGROUND

The Legislature enacted the Nebraska Wheat Resources Act in 1955. The Wheat Division within the Nebraska Department of Agriculture was separated into the Wheat Development, Utilization, and Marketing Board (Board) in 1981. It is public policy of the State of Nebraska to protect and foster the health, prosperity, and general welfare of its people by protecting and stabilizing the wheat industry and the economy of areas producing wheat. The Board is the agency created for such purpose and is responsible for formulating the general policies and programs of the State concerning the discovery, promotion, and development of markets and industries for utilization of wheat.

The Board is composed of seven members appointed to five-year terms by the Governor. The members of the Board shall be citizens of Nebraska, shall be at least twenty-one years of age, shall have been engaged in growing wheat in the State for at least five years, and shall derive a substantial portion of their income from growing wheat. The Director of Agriculture and the Vice Chancellor of the University of Nebraska Institute of Agriculture and Natural Resources shall serve as nonvoting, ex-officio members of the Board.

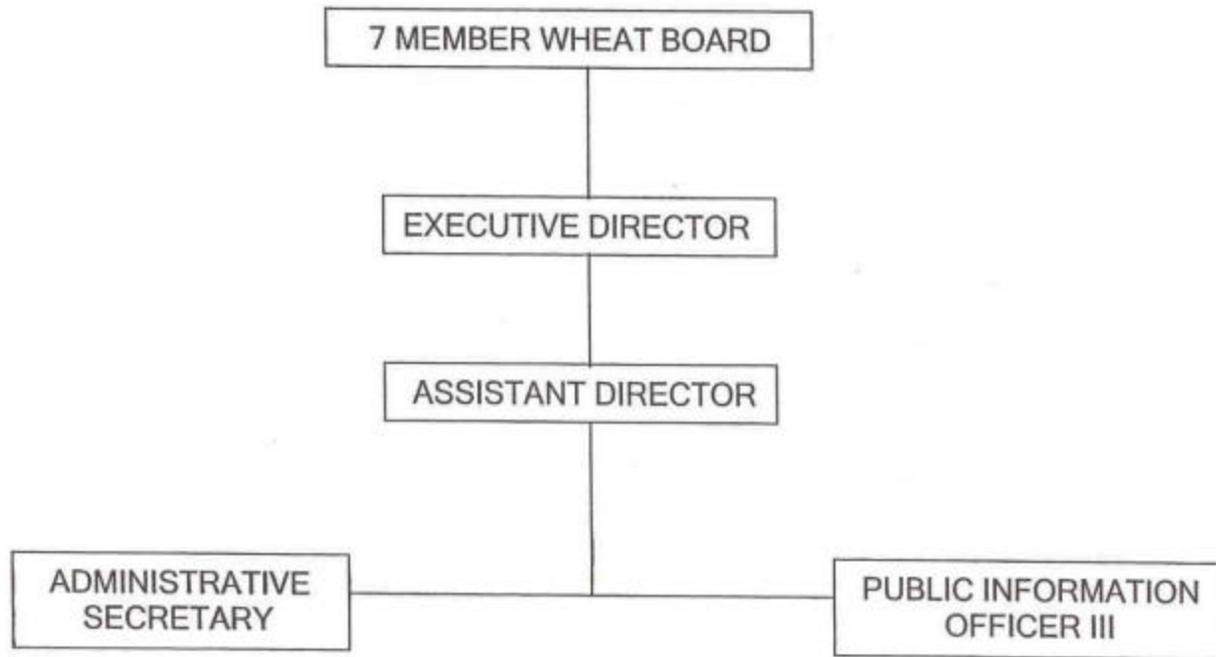
The Board's programs are financed solely by the State's 1.25 cent per bushel assessment on all wheat marketed in the State.

MISSION STATEMENT

It is the public policy of the State of Nebraska for the Nebraska Wheat Development, Utilization, and Marketing Board to protect and foster the health, prosperity, and general welfare of its people by protecting and stabilizing the wheat industry and the economy of the areas of the State producing wheat.

NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
AND MARKETING BOARD

ORGANIZATIONAL CHART



NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
AND MARKETING BOARD

EXIT CONFERENCE

An exit conference was held May 5, 2004 with the Board to discuss the results of our examination. Those in attendance for the Nebraska Wheat Development, Utilization, and Marketing Board were:

NAME	TITLE
Ronald Stoddard	Executive Director
Carolyn Logue	Assistant Director
Donna Hicks	Administrative Assistant

NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
AND MARKETING BOARD

SUMMARY OF COMMENTS

During our examination of the Nebraska Wheat Development, Utilization, and Marketing Board, we noted certain matters involving the internal control over financial reporting and other operational matters which are presented here.

1. ***Nebraska Information System:*** Significant areas of concern or areas where improvement to the Nebraska Information System (NIS) is needed to ensure NIS integrity and operational efficiency were identified.
2. ***Lack of Segregation of Duties:*** One individual was able to both prepare and approve their own batches in NIS. There was no independent review of the NIS General Ledger Detail Report, and there were other issues related to segregation of duties.
3. ***Travel Expense Reimbursements:*** Five of six documents tested did not contain adequate documentation. One of seven documents tested lacked documentation to support a comparison of costs between air travel versus travel by personal vehicle.

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. The Board declined to respond.

We appreciate the cooperation and courtesy extended to our staff during the course of the examination.

NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
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COMMENTS AND RECOMMENDATIONS

1. Nebraska Information System

Good internal control requires a plan of organization, procedures, and records, designed to safeguard assets and provide reliable financial records. Without adequate training, written procedures, and controls, there is a risk that employees may unintentionally corrupt critical data, and that errors could occur and go undetected.

During the fiscal year ended June 30, 2003, the State of Nebraska implemented significant components of a new information system called the "Nebraska Information System" (NIS). Two major components were the Payroll component, which went live on January 3, 2003, and the Financial component, which went live on March 1, 2003. All Nebraska Accounting System (NAS) financial data from July 1, 2002 through February 28, 2003 (excluding payroll from January through February as NIS payroll went live January 3, 2003) was converted to NIS as of March 1, 2003. NIS affects all Nebraska State agencies.

A consultant hired by the Auditor of Public Accounts (APA) with expertise in studying large computer systems performed a study of NIS processes and controls prior to June 30, 2003. The APA also performed a preliminary examination of internal controls as of June 30, 2003 at all State agencies in July and August of 2003. In addition, while performing examination procedures the APA has identified other concerns related to NIS.

From these studies and examinations, the APA has identified concerns and areas where improvement to NIS is needed. The following are the more significant concerns or areas where improvement is needed to ensure NIS integrity and operational efficiency:

- a. The reconciliation between the State Treasurer's actual bank statements and records, the NAS/NIS accounting records, and the related disposition of reconciling items was not completed for November 2002 through December 2003 in a timely manner. Subsequent to December 2003, the Department of Administrative Services (DAS) Accounting Division performed some reconciliation procedures. As of April 28, 2004 the June 30, 2003 reconciliation indicates an unknown variance between the bank records and the accounting records of \$3,654,783, with the bank being short compared to the accounting records. The monthly reconciliations during the audit period and subsequent months indicate fluctuations in the variance amounts. Complete and timely reconciliation procedures between bank records and accounting records provide control over cash and accurate financial information. The reconciliation procedures should be done timely and on a monthly basis to ensure all financial information is correct in NIS.
- b. Two key financial reports to be prepared and presented by the DAS Accounting Division were not completed in a timely manner. The Annual Budgetary Report as of June 30, 2003 was not completed until January 2004. The Comprehensive Annual Financial Report has yet to be completed for the fiscal year ended June 30, 2003. Timely reporting of the State's financial information is key to all users of such information, especially State policy makers, when making informed policy decisions.

NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
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COMMENTS AND RECOMMENDATIONS

(Continued)

1. Nebraska Information System (Concluded)

- c. As of June 30, 2003 a comprehensive written NIS policy and procedures manual had not been prepared. Subsequent to June 30, 2003, DAS Accounting Division has made some progress in updating the prior Nebraska Accounting System (NAS) and Nebraska Employees Information System (NEIS) policy and procedures manuals to incorporate NIS policies. However, as of the date of this report these policy updates are not complete. With hundreds of users of NIS, it becomes imperative the State has a comprehensive policy and procedure manual to help ensure consistent and accurate accounting of the State's financial transactions.
- d. Labor distribution - The NIS payroll application is not allocating salaries and benefits appropriately to salaried employees who incur hours that are distributed across multiple business units. This applies to most agencies' funds, programs, and grants.
- e. A detailed analysis has not been performed to determine whether users received adequate training to enable them to appropriately perform their job functions. Training provided for the implementation of NIS was limited to navigational training and did not include explanatory informational training.
- f. A records retention policy has not been implemented to ensure an adequate audit trail is maintained for NIS information. The records retention schedules only states, "Obsolete with implementation of NIS."
- g. The payroll component is not designed to promote an effective segregation of duties.
- h. Critical function access rights - Access to sensitive General Accounting functions has been provided to individuals who may not require such access as a part of their job responsibilities.
- i. Information security procedures - The State has not documented or formalized comprehensive information security procedures for NIS.
- j. Business continuity planning - The State has not implemented a formal, comprehensive business continuity or disaster recovery plan that comprehends both NIS and its supporting infrastructure.

The issues identified above are the responsibility of the Department of Administrative Services Accounting Division and NIS Functional Team as they relate directly to NIS; however, they directly affect all Nebraska State agencies' financial information and must be disclosed in this report. The results of the consultant's study of NIS were communicated in a separate report to the Department of Administrative Services, who is responsible for NIS. Letters to each State agency communicated the results of the APA's preliminary examination of internal controls at the State agency level. Additional concerns identified by the APA were communicated to the appropriate State officials.

NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
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COMMENTS AND RECOMMENDATIONS

(Continued)

2. Lack of Segregation of Duties

Good internal control requires an adequate segregation of duties so no one individual is in a position to both perpetrate and conceal errors or irregularities. Further, good internal control requires adequate segregation of duties to ensure all accounting functions can be performed within the State accounting system (NIS).

We noted the following:

- One individual was able to both prepare and approve their own batches in NIS as of December 2003.
- The same person was the sole reviewer of the General Ledger Detail Report.
- One individual was responsible for performing nearly all activities within the fixed assets function.
- No one was able to initiate the disposal of an asset in NIS as of December 2003.
- The Fixed Asset Integrity reports, the Unposted Transaction report, and the Additions and Retirement report were not reviewed to ensure items added and deleted were proper.

Without an adequate segregation of duties there is an increased risk of loss or theft of State funds.

We recommend the Board ensure an adequate segregation of duties so no one individual is in a position to both perpetrate and conceal errors or irregularities. If an adequate segregation is not possible, due to limited staff, we recommend the Board develop appropriate compensating controls. These controls would include an independent review of the General Ledger Detail report and appropriate fixed asset reports. The Board should also ensure someone is able to initiate the disposal of an asset within NIS.

3. Travel Expense Reimbursements

The State of Nebraska operated under an accountable plan for travel expenses during the audit period. An accountable plan, defined by the Internal Revenue Service (IRS), must meet three rules: 1) The expenses must have a business connection; 2) Employees must adequately account to the employer these expenses within a reasonable period of time; and 3) Employees must return any excess reimbursements within a reasonable period of time. Employees can adequately account to employers by providing the employer a statement of expenses, an account book, a diary, or a similar record in which the employee entered each expense at or near the time of occurrence, along with documentary evidence of the travel, mileage, or other expense.

NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
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COMMENTS AND RECOMMENDATIONS

(Continued)

3. Travel Expense Reimbursements (Continued)

Reimbursements made to employees under an accountable plan are not included in the employees' taxable income. Those expenses that do not meet the rules of an accountable plan should be treated as having been reimbursed under a nonaccountable plan.

IRS Publication 463 describes the records needed to prove certain travel expenses. This publication generally indicates that documentary evidence, such as receipts, must be maintained to support expenses. Documentary evidence is considered adequate if it shows the amount, place, date, and essential character of the expense. A restaurant receipt is enough to prove an expense for a business meal if it has the name and location of the restaurant, the number of people served, and the date and amount of the expense.

Good internal control requires procedures to ensure requirements of the State's accountable plan are met and reimbursements are in compliance with IRS Publication 463 guidelines.

Sound business practice requires travel to be documented to ensure the travel was reasonable.

We noted the following:

- Five of six travel documents tested did not contain adequate documentation per IRS guidelines. Included in the six documents were 49 of 90 meals claimed for reimbursement that did not include the restaurant name. We noted a similar comment in the prior audit.
- For one of seven documents tested there was no supporting documentation to substantiate that expenses claimed and reimbursed related to travel by personal vehicle were less than what the costs would have been for airfare. The round trip from Scottsbluff, NE to Albuquerque, NM totaled 1,280 miles for a total mileage cost of \$461.

Without procedures to ensure adequate documentation is obtained, there is an increased risk of loss or misuse of State funds. Additionally, amounts paid under a nonaccountable plan must be considered taxable income to the employee according to the IRS.

We recommend the Board implement procedures to ensure the method of travel is the most cost efficient, and adequate documentation is obtained for travel expenses.

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NEBRASKA WHEAT DEVELOPMENT, UTILIZATION, AND MARKETING BOARD

INDEPENDENT ACCOUNTANT'S REPORT

Deann Haeffner, CPA
Deputy State Auditor
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We have examined the accompanying schedules of revenues, expenditures, and changes in fund balances of the Nebraska Wheat Development, Utilization, and Marketing Board (Board) for the fiscal year ended June 30, 2003 and the period July 1, 2003 through March 31, 2004. The Board's management is responsible for the schedules of revenues, expenditures, and changes in fund balances. Our responsibility is to express an opinion based on our examination.

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Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and accordingly, included examining, on a test basis, evidence supporting the schedule of revenues, expenditures, and changes in fund balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Tim Channer, CPA
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Mary Avery
SAE/Finance Manager
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In our opinion the schedules referred to above present, in all material respects, the revenues, expenditures, and changes in fund balances of the Nebraska Wheat Development, Utilization, and Marketing Board for the fiscal year ended June 30, 2003 and the period July 1, 2003 through March 31, 2004, based on the accounting system and procedures prescribed by the State of Nebraska Director of Administrative Services as described in Note 1.

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In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2004, on our consideration of the Nebraska Wheat Development, Utilization, and Marketing Board'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 attestation audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our examination.

Pat Reding, CPA

Assistant Deputy Auditor

May 5, 2004

NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
AND MARKETING BOARD
**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**
For the Fiscal Year Ended June 30, 2003

	Nebraska Wheat Development, Utilization, and Marketing Fund 29500
REVENUES:	
Taxes	\$ 743,665
Miscellaneous	31,617
TOTAL REVENUES	775,282
EXPENDITURES:	
Personal Services	167,489
Operating	462,558
Travel	40,667
TOTAL EXPENDITURES	670,714
Excess of Revenues Over Expenditures	104,568
OTHER FINANCING SOURCES:	
Sales of Assets	113
TOTAL OTHER FINANCING SOURCES	113
Net Change in Fund Balance	104,681
FUND BALANCE, JULY 1, 2002	407,693
FUND BALANCE, JUNE 30, 2003	\$ 512,374
FUND BALANCE, JUNE 30, 2003 CONSISTS OF:	
Cash	\$ 509,760
Deposits With Vendors	2,614
	\$ 512,374

The accompanying notes are an integral part of the schedule.

NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
AND MARKETING BOARD
**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**
For the Period July 1, 2003 through March 31, 2004

	Nebraska Wheat Development, Utilization, and Marketing Fund 29500
REVENUES:	
Taxes	\$ 965,087
Miscellaneous	22,607
TOTAL REVENUES	987,694
EXPENDITURES:	
Personal Services	119,283
Operating	367,458
Travel	31,007
Capital Outlay	894
TOTAL EXPENDITURES	518,642
Net Change in Fund Balance	469,052
FUND BALANCE, JULY 1, 2003	512,374
FUND BALANCE, MARCH 31, 2004	\$ 512,374
FUND BALANCE, MARCH 31, 2004 CONSISTS OF:	
Cash	\$ 994,262
Deposits With Vendors	2,614
Due to Vendors	(15,450)
	\$ 981,426

The accompanying notes are an integral part of the schedule.

NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
AND MARKETING BOARD

NOTES TO THE SCHEDULES

For the Fiscal Year Ended June 30, 2003
and
For the Period July 1, 2003 through March 31, 2004

1. Criteria

The accounting policies of the Nebraska Wheat Development, Utilization, and Marketing Board are on the basis of accounting as prescribed by the State of Nebraska Department of Administrative Services (DAS).

Per Neb. Rev. Stat. Section 81-1107 R.R.S. 1999, the State of Nebraska Director of Administrative Services duties include “The keeping of general accounts and the adoption and promulgation of appropriate rules, regulations, and administrative orders designed to assure a uniform and effective system of accounts and accounting, the approval of all vouchers, and the preparation and issuance of warrants for all purposes.”

The Nebraska Information System (NIS) is the official accounting system prescribed by DAS for the State of Nebraska. Policies and procedures are detailed in NIS manuals and Nebraska Accounting System Concepts published by DAS and available to the public. The financial information used to prepare the schedule of revenues, expenditures, and changes in fund balances for the Board was obtained directly from the NIS. NIS records accounts receivable and accounts payable as transactions occur. As such certain revenues are recorded when earned and expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows. The accounts payable liability recorded on NIS, and thus recorded as expenditures, as of June 30, 2003 and March 31, 2004 includes only those payables posted to NIS before June 30, 2003 and March 31, 2004 and not yet paid as of those dates. The amounts recorded as expenditures as of June 30, 2003 and March 31, 2004 **do not** include amounts for goods and services received before June 30, 2003 and March 31, 2004 which had not been posted to NIS as of June 30, 2003 and March 31, 2004.

Prior to the implementation of NIS, the State utilized the Nebraska Employees Information System (NEIS) and the Nebraska Accounting System (NAS) to record transactions. NEIS was converted to NIS effective January 1, 2003, and NAS was converted to NIS effective March 1, 2003.

The Board had no accounts receivable at June 30, 2003 and March 31, 2004. The Board had accounts payable for services received but not yet paid of \$15,450 included in expenditures as of March 31, 2004. The Board did not have accounts payable as of June 30, 2003. The NIS system does not include liabilities for accrued payroll and compensated absences.

NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
AND MARKETING BOARD

NOTES TO THE SCHEDULES

(Continued)

1. Criteria (Continued)

The fund type established by NIS that is used by the Board is:

20000 – Cash Funds – account for revenues generated by specific activities from sources outside of State government and the expenditures directly related to the generation of the revenues. Cash funds are established by State statutes and must be used in accordance with those statutes.

The major revenue object account codes established by NIS used by the Board are:

Taxes – Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. Taxes recorded as revenue for the Board consists of a fee per bushel on all wheat sold through commercial channels in the State of Nebraska. The fee is paid by the grower at the time of sale or delivery and is collected by the first purchaser. The fee for the audit periods was 1.25 cents per bushel.

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

The major expenditure object account titles established by NIS used by the Board are:

Personal Services – Salaries, wages, and related employee benefits provided for all persons employed by the Board.

Operating – Expenditures directly related to a program's primary service activities.

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

Capital Outlay – Expenditures which result in the acquisition of or an addition to capital assets. Capital assets are resources of a long-term character, owned or held by the government.

Other significant object account codes established by NIS and used by the Board include:

Assets – Resources owned or held by a government that have monetary value. Assets include cash accounts, deposits with vendors, and receivable accounts. Accounts receivable are recorded as an increase to revenues and an increase to fund balance on the schedule. Cash accounts and deposits with vendors are also included in fund balance.

NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
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NOTES TO THE SCHEDULES

(Continued)

1. Criteria (Concluded)

Liabilities – Legal obligations arising out of transactions in the past that must be liquidated, renewed, or refunded at some future date. Accounts payable transactions increase expenditures and decrease fund balance.

Other Financing Sources – Long-term debt proceeds, operating transfers, and proceeds of fixed asset dispositions.

2. State Agency

The Nebraska Wheat Development, Utilization, and Marketing Board (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 schedule includes all funds of the Board.

The Nebraska Wheat Development, Utilization, and Marketing Board is part of the primary government for the State of Nebraska.

3. Beginning Balance

As noted above, the official accounting system of the State was converted during the fiscal year 2003 from NEIS and NAS to NIS. NEIS and NAS were strictly cash basis accounting. Under the cash basis of accounting, revenues are recognized when received and expenditures are recognized when paid for all funds of the Board. Therefore, the July 1, 2002 beginning fund balances do not include accounts receivables or accounts payable.

4. 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 because interfund balances and transactions have not been eliminated.

5. Capital Assets

Under NIS, capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as expenditures in governmental funds. Capital assets, which would include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) would be reported for the State of Nebraska in the Comprehensive Annual Financial Report (CAFR). Depreciation expenses would be reported in the CAFR for the State of Nebraska. The cost of normal maintenance and repairs that does not add to the value of the asset or extend asset life is not capitalized.

NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
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NOTES TO THE SCHEDULES
(Continued)

5. Capital Assets (Concluded)

Capital asset activity of the Board for the fiscal year ended June 30, 2003 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets:				
Equipment	\$ 31,590	\$ -	\$ 3,785	\$ 27,805

Capital asset activity of the Board for the period July 1, 2003 through March 31, 2004 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets:				
Equipment	\$ 27,805	\$ 893	\$ -	\$ 28,698

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NEBRASKA WHEAT DEVELOPMENT, UTILIZATION, AND MARKETING BOARD REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN EXAMINATION OF THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES, PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Wheat Development, Utilization, and Marketing Board for the fiscal year ended June 30, 2003 and the period July 1, 2003 through March 31, 2004, and have issued our report thereon dated May 5, 2004. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation 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 Wheat Development, Utilization, and Marketing Board's schedule of revenues, expenditures, and changes in fund balances, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our examination, 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 the management of the Nebraska Wheat Development, Utilization, and Marketing Board in the Comments Section of this report as Comment Number 3 (Travel Expense Reimbursements).

Internal Control Over Financial Reporting

In planning and performing our examination, we considered the Nebraska Wheat Development, Utilization, and Marketing Board's internal control over financial reporting in order to determine our procedures for the purpose of expressing our opinion on the schedule of revenues, expenditures, and changes in fund balances, 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 Wheat Development, Utilization, and Marketing Board's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedules. Reportable conditions are described in the Comments Section of the report as Comment Number 1 (Nebraska Information System) and Comment Number 2 (Lack of Segregation of Duties).

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 schedule being examined 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, of the reportable conditions described above, we consider Comment Number 1 (Nebraska Information System) to be a material weakness. We also noted another matter involving internal control over financial reporting that we have reported to management of the Nebraska Wheat Development, Utilization, and Marketing Board in the Comments Section of the report as Comment Number 3 (Travel Expense Reimbursements).

May 5, 2004

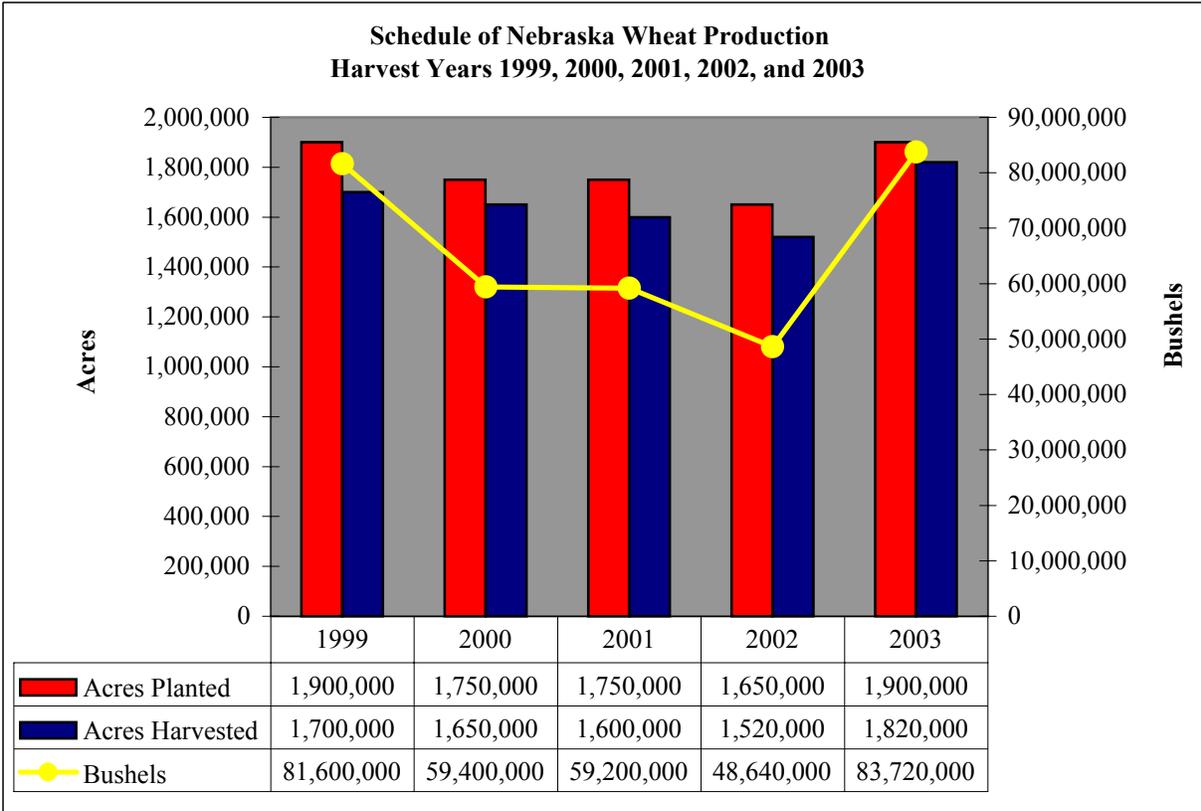
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NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
AND MARKETING BOARD

STATISTICAL SECTION

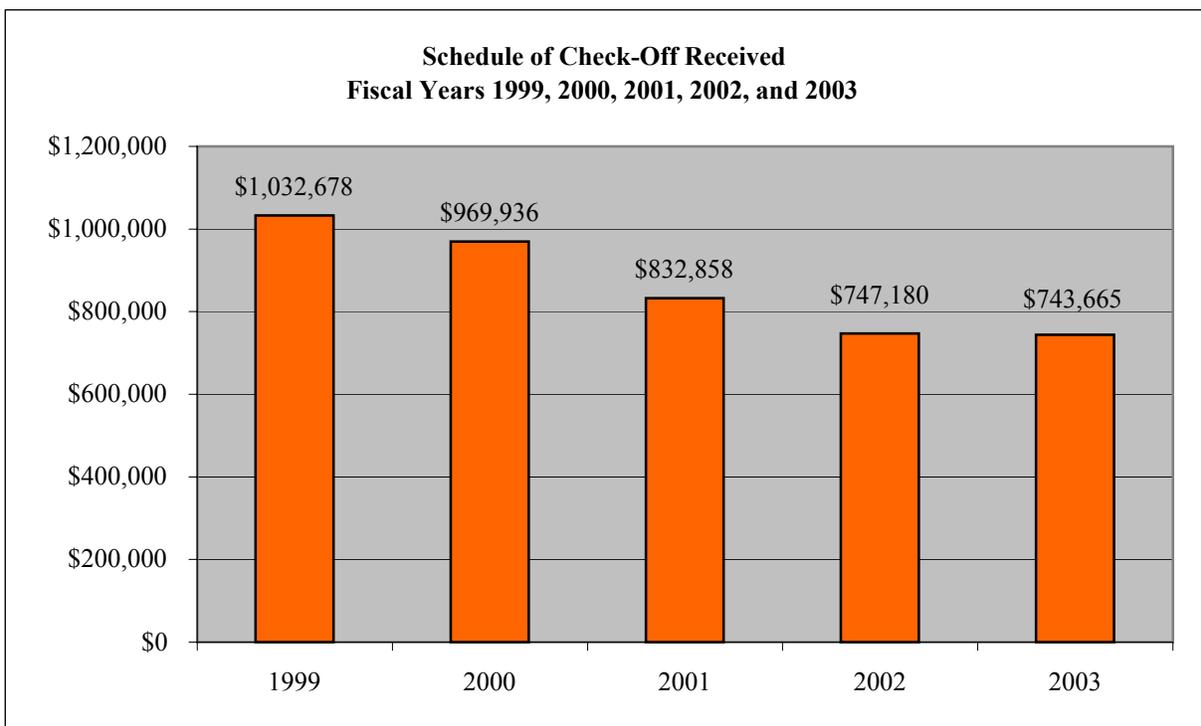
Our examination was conducted for the purpose of forming an opinion on the schedule of revenues, expenditures, and changes in fund balances. Statistical Section information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination of the schedule of revenues, expenditures, and changes in fund balances, and, accordingly, we express no opinion on it.

**NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
AND MARKETING BOARD**



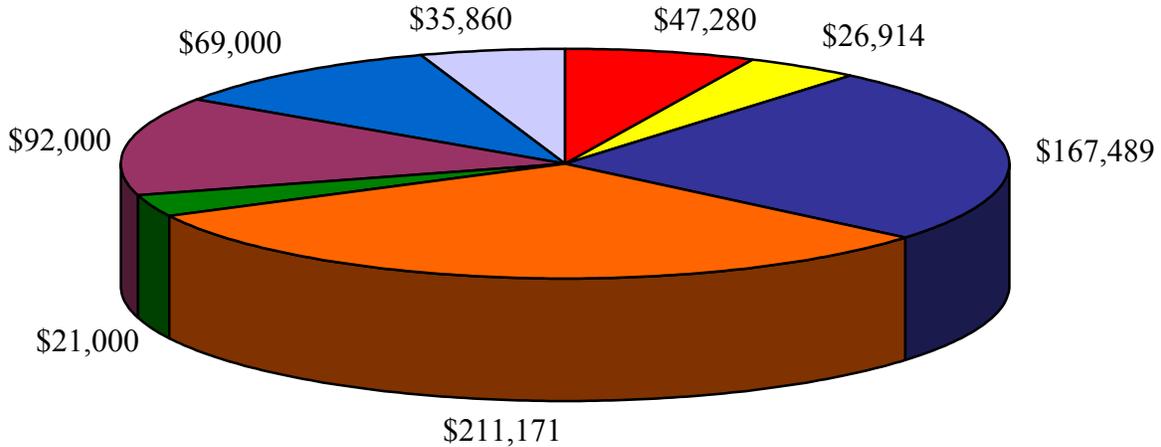
Source: U.S. Department of Agriculture, National Agricultural Statistics Service website.

Note: The year represents when the wheat was harvested.



NEBRASKA WHEAT DEVELOPMENT, UTILIZATION,
AND MARKETING BOARD

**Schedule of Disbursements by Category
Fiscal Year 2003**



■ General Operating	■ Board of Directors	■ Administration
■ International Marketing	■ Domestic Marketing	■ Research
■ Policy Development	■ Publicity/Education	

**Schedule of Contract Payments
Fiscal Year 2003**

The Board used over 60% of its disbursements for contractual services. The largest payments were made to the following entities:

U.S. Wheat Associates	\$	180,000
University of Nebraska-Lincoln	\$	92,000
Nebraska Wheat Growers Association	\$	41,764
National Association of Wheat Growers	\$	28,000
Wheat Marketing Center	\$	25,000
Wheat Foods Council	\$	20,000
Gordley Associates	\$	16,000
Other	\$	20,875