

**ATTESTATION REPORT
OF THE
NEBRASKA MOTOR VEHICLE INDUSTRY
LICENSING BOARD**

JULY 1, 2004 THROUGH JUNE 30, 2005

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Issued on November 9, 2005

NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

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NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

BACKGROUND

The Nebraska Motor Vehicle Industry Licensing Board (Board) is a self-supporting board created during the 1957 legislative session. Members of the Board include the Director of the Department of Motor Vehicles, who serves as chairperson, and nine members appointed by the Governor, with the consent of the Legislature. The nine members, who serve three-year terms, include three new motor vehicle dealers, one from each congressional district; two licensed used motor vehicle dealers, from different congressional districts; one trailer dealer or combination motor vehicle or trailer dealer; a factory representative; a licensed motorcycle dealer; and a member representing the public.

The Board has the responsibility of protecting the public interest in connection with the activities of the manufacture, distribution, and sale of motor automobiles, motorcycles, trailers, and mobile homes. The Board exercises its responsibilities through the issuance, denial, supervision, or revocation of the following licenses: motor vehicle dealers – new and used, salespersons, manufacturers, factory branches, factory representatives, distributors, distributors' representatives, motorcycle dealers, motor vehicle auction dealers, wreckers and salvage dealers, finance companies, and supplemental motor vehicle dealers. The Board also controls the distribution of dealer license plates by means of a statutory formula.

The Board generally meets once per month to approve and deny license applications and to take actions on complaints. The Board also conducts hearings for new motor vehicle franchise applications, the termination of any franchise, and advertising violations. These powers were granted to the Board in order to prevent fraud and other abuses upon the citizens of the State.

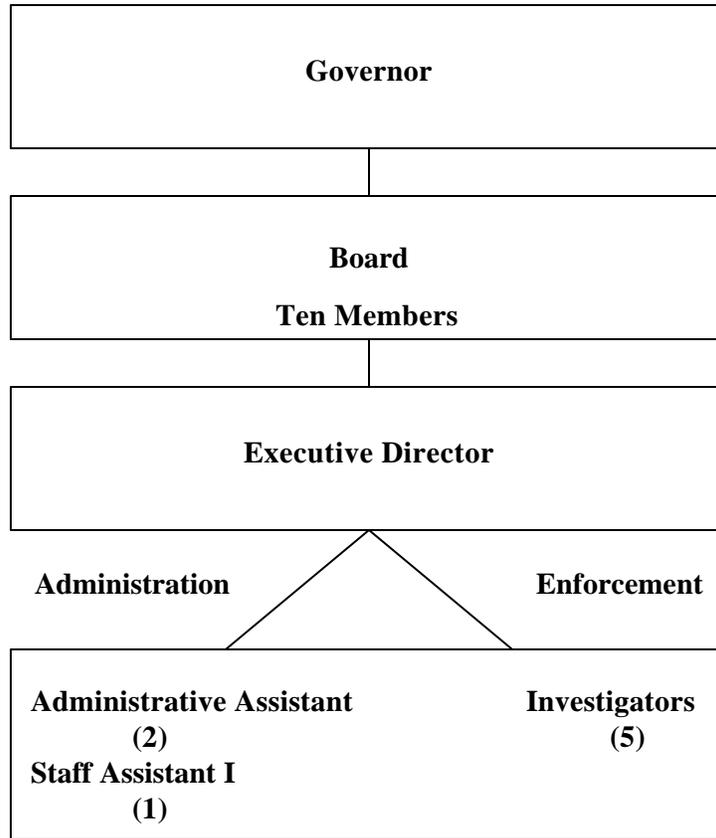
As of June 30, 2005 the office and field staff consisted of an Executive Director, two Administrative Assistants, a Staff Assistant, and five Field Investigators who investigate complaints and inspect dealerships for compliance with the law.

MISSION STATEMENT

The mission of the Motor Vehicle Industry Licensing Board is the regulation, investigation, and education matters involving the selling of motor vehicles in the State. Protection of the general public interest is the main priority.

NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

ORGANIZATIONAL CHART



NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

EXIT CONFERENCE

An exit conference was held October 17, 2005 with the Board to discuss the results of our examination. Those in attendance for the Nebraska Motor Vehicle Industry Licensing Board were:

NAME	TITLE
William Jackson	Executive Director
Joan Zachek	Administrative Assistant

NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

SUMMARY OF COMMENTS

During our examination of the Nebraska Motor Vehicle Industry Licensing Board, we noted certain matters involving the internal control over financial reporting and other operational matters which are presented here.

1. ***Reconciliation of Licenses:*** The Board did not have procedures in place to reconcile the licenses used to the Board's computer system. We also noted there was no supervisory review and approval of voided receipts.
2. ***Timeliness of Deposits:*** Nine of fifteen receipts tested were not deposited in a timely manner as required by Neb. Rev. Stat. Section 84-710 R.R.S. 1999. Also, we noted in our review of subsequent deposits two receipts received in June were not deposited until July.
3. ***Certificate of Titles:*** The Board did not have adequate procedures to ensure all fees owed to the Board for certificate of titles issued were received. The Board received \$59,245 for these fees in fiscal year 2005.
4. ***Travel:*** Ten expense reimbursement documents contained reimbursement for meals, lodging, and miscellaneous expenses which did not appear reasonable and necessary. We also noted excessive mileage for the Board's permanently assigned vehicles and expense reimbursement documents which were not properly completed.
5. ***Lack of Segregation of Duties Over Capital Assets:*** One individual performed all capital asset transactions including maintaining, adding, and deleting capital assets. There was no independent review of the Additions and Retirements Report.
6. ***Reconciliation of Bank Records to the Nebraska Information System:*** The Department of Administrative Services' reconciliation process is still not done in a timely manner and continues to reflect unknown variances.

More detailed information on the above items is provided hereafter. It should be noted this report is critical in nature as 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 MOTOR VEHICLE INDUSTRY LICENSING BOARD

COMMENTS AND RECOMMENDATIONS

1. Reconciliation of Licenses

Good internal control requires procedures to ensure the number of licenses used agrees to licenses issued. Good internal control also requires a supervisory review and approval of voided receipts.

During testing, we noted no reconciliation was performed between the licenses used to the amount of licenses entered into the Motor Vehicle Industry Licensing Board's computer system. According to a manual count we noted 11,975 licenses used during fiscal year 2005, the Board's computer system noted only 11,500 licenses were issued for a difference of 475 licenses. We also noted there was no supervisory review and approval of voided receipts.

No reconciliation of licenses used to the computer system report and no supervisory approval of voided receipts increases the risk of misuse or loss of State funds.

We recommend the Board implement procedures to reconcile the licenses used to the computer system. We also recommend the Board implement procedures to ensure a supervisory review and approval of voided receipts.

2. Timeliness of Deposits

Neb. Rev. Stat. Section 84-710 R.R.S. 1999 states, "It shall be unlawful for any . . . board . . . to receive any fees, proceeds from the sale of any public property, or 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."

During our review of the Board's receipts, we noted 9 of 15 receipts tested were not deposited within the three or seven day requirement. The nine receipts were deposited 6 to 15 days after the date of receipt. Also, we noted in our review of subsequent deposits two receipts received in June were not deposited until July. The two receipts were deposited 13 days after the day of receipt. The Board received over \$500 on each of the days tested.

When deposits are not made in compliance with State Statute, there is an increased risk of loss or misuse of State funds.

We recommend the Board implement procedures to ensure receipts are deposited in accordance with State Statute.

NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Certificate of Titles

Neb. Rev. Stat. Section 60-115 R.R.S. 2004 states “The remaining ten cents of the fee charged for the certificate of title shall be remitted to the State Treasurer for credit to the Nebraska Motor Vehicle Industry Licensing Board fund, for the purpose of conducting preliminary investigations of motor vehicle licensing violations relating to odometer and motor vehicle fraud.” Sound business practice would require procedures to ensure amounts received for certificate of titles are reasonable.

We noted the Board did not have adequate procedures to ensure the Department of Motor Vehicles was submitting all fees owed to the Motor Vehicle Industry Licensing Board for certificate of titles issued. The Board received \$59,245 for these fees in fiscal year 2005.

There is an increased risk the Board is not receiving all money due when the Board does not have procedures to review amounts received for certificate of titles.

We recommend the Board implement procedures to ensure amounts received for certificate of titles are reasonable. This could include a comparison of the Department of Motor Vehicles annual report for titles issued to the amounts received.

4. Travel

Nebraska State Accounting Manual AM-005 states, “Under our accountable plan, the Internal Revenue Service requires employees to substantiate the cost for travel, lodging, meals, and other expenses. 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, place (e.g. city) or description, and purpose for each expense or meal/food cost.”

Neb. Rev. Stat. Section 81-1174 R.S.Supp., 2004 states, “Whenever any state officer, employee, or member of any commission, council, committee, or board of the state is entitled to be reimbursed for actual expenses incurred by him or her in the line of duty, he or she shall be required to present a request for payment or reimbursement each month to the Director of Administrative Services.” Neb. Rev. Stat. Section 81-1174 also requires the purpose of the travel be noted on the expense reimbursement document.

Good internal control requires procedures to ensure requirements of the State’s accountable plan are met and reimbursements are in compliance with guidelines set through Federal Travel Regulations.

NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

COMMENTS AND RECOMMENDATIONS

(Continued)

4. Travel (Concluded)

During our review of the Board's travel expenditures, we noted the following:

- Seven expense reimbursement documents contained reimbursement for meals which were not adequately documented or were not reasonable based on the Federal guideline per place of travel. One document did not have a complete meal log; the employee did not include the restaurant name for the meals reimbursed. Employees were reimbursed unreasonable amounts for 29 meals. Amounts exceeding the guideline ranged from \$1 to \$19 per meal.
- Two expense reimbursement documents contained reimbursement for lodging which were not reasonable based on the Federal guideline per place of travel. Amounts over the guideline were \$12 and \$25.
- One document contained payment for miscellaneous expenses which did not appear reasonable and necessary. The billing from a hotel in Lincoln included four charges of \$12 for valet parking for a total of \$48.
- One expense document did not have reasonable mileage based on the most direct route of travel. Miles for the Board's five permanently assigned vehicles were 385 miles over mileage per the map plus an additional 10% allowance for one month.
- Two expense reimbursement documents were not completed in accordance with State Statute 81-1174. One document contained reimbursement of expenses for three months. Another document did not include the purpose of the employee's travel.

Without an adequate accounting of meal expenses from the employee to the employer, the State could lose its accountable plan status. When the Federal guidelines are not followed, there is an increased risk of reimbursement for unreasonable expenses.

We recommend the Board implement procedures to ensure provisions of the State's accountable plan are met and amounts reimbursed for travel expenses are reasonable. We also recommend the Board ensure expense reimbursement documents are completed in accordance with State Statute.

5. Lack of Segregation of Duties Over Capital Assets

Good internal control requires an adequate segregation of duties to ensure no one individual is in a position to both perpetrate and conceal errors or irregularities.

COMMENTS AND RECOMMENDATIONS

(Continued)

5. Lack of Segregation of Duties Over Capital Assets (Concluded)

During our review of capital assets, we noted one individual could perform all phases of a transaction relating to capital assets. There was no independent review of the Additions and Retirements report.

Without adequate control over capital assets records, there is an increased risk of loss or theft of State assets.

We recommend the Board implement procedures to ensure an adequate segregation of duties. This would include an independent review of the Additions and Retirements report.

6. Reconciliation of Bank Records to the Nebraska Information System

Good internal control requires a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial information. Without a timely and complete reconciliation of bank records to the Nebraska Information System (NIS), there is a greater risk for fraud and errors to occur and to remain undetected.

During the audit of the Comprehensive Annual Financial Report (CAFR) of the State of Nebraska, the Auditor of Public Accounts (APA) noted the absence of reconciliation between the Nebraska State Treasurer's actual bank statements and Nebraska accounting records (in both NIS and NAS, the Nebraska Accounting System before NIS). This has been an issue for the Department of Administrative Services (DAS) Accounting Division for many years. The APA's previous versions noted monthly reconciliations have not been completed in a timely manner and reconciliations performed have shown significant unknown variances between the bank records and the accounting records, with the bank being short compared to the accounting records. Although DAS Accounting Division continues to work on correcting the reconciliation of bank records to NIS, the APA continues to note areas where improvement is still needed in the reconciliation process to ensure NIS integrity and operational efficiency. Specifically, the APA noted the status of the reconciliation process as of August 11, 2005 to be as follows:

DAS Accounting Division has worked on the reconciliation process, but continued progress is needed. DAS Accounting Division's reconciliation process has developed into a very detailed process of analyzing bank activity, compared to activity recorded on NIS, to identify reconciling items. DAS Accounting Division has completed their reconciliation process for the months of June and July of 2004. The APA has reviewed these reconciliations. These two months show variances of \$2,944,126 and \$2,932,824, respectively. Again, the reconciliations show the

COMMENTS AND RECOMMENDATIONS

(Continued)

6. Reconciliation of Bank Records to the Nebraska Information System (Concluded)

bank being short compared to the accounting records. Per inquiry of management, DAS Accounting Division has started the reconciliation process for various months of the fiscal year ended June 30, 2005; however, the reconciliation process has not been a continuous monthly process and no monthly reconciliation has been completed since July of 2004.

Although DAS Accounting Division has worked on the reconciliation process, the process is still not done in a timely manner and the variance is inconsistent. The reconciliation continues to reflect unknown variances and shortages. Complete and timely reconciliation procedures between bank records and accounting records are required to provide control over cash and accurate financial information.

The APA recommends DAS Accounting Division continue their reconciliation process, in a more timely manner, and on at least a monthly basis, to ensure all financial information is correct on NIS. We also recommend, when a consistent cash variance between the bank records and the accounting records is obtained (based on at least six months of reconciliations), DAS submit their plan for adjusting NIS to the Governor and the Legislature so they may take appropriate action to correct NIS and resolve the variances noted.

This issue is the responsibility of DAS Accounting Division; however, as the variances have not been identified by fund or agency, this issue directly affects all Nebraska State agencies' financial information and must be disclosed in this report.

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NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

INDEPENDENT ACCOUNTANT'S REPORT

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We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Motor Vehicle Industry Licensing Board (Board) for the fiscal year ended June 30, 2005. The Board's management is responsible for the schedule of revenues, expenditures, and changes in fund balances. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements 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.

In our opinion, the schedule referred to above presents, in all material respects, the revenues, expenditures, and changes in fund balances of the Nebraska Motor Vehicle Industry Licensing Board for the fiscal year ended June 30, 2005, based on the accounting system and procedures prescribed by the State of Nebraska Director of Administrative Services as described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2005, on our consideration of the Nebraska Motor Vehicle Industry Licensing Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the

scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an attestation engagement performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our examination.

This report is intended solely for the information and use of the Board and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

Handwritten signature of Timothy J. Channer CPA in black ink.

Assistant Deputy Auditor

October 17, 2005

NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2005

	Motor Vehicle Industry Licensing Board Fund 24010	Permanent School Fund 63340	Total (Memorandum Only)
REVENUES:			
Sales & Charges	\$ 573,501	\$ -	\$ 573,501
Miscellaneous	9,627	117,600	127,227
TOTAL REVENUES	583,128	117,600	700,728
EXPENDITURES:			
Personal Services	449,252	-	449,252
Operating	61,372	-	61,372
Travel	58,398	-	58,398
Capital Outlay	1,452	-	1,452
TOTAL EXPENDITURES	570,474	-	570,474
Excess of Revenues Over Expenditures	12,654	117,600	130,254
OTHER FINANCING SOURCES (USES):			
Deposit to/from Common Fund (Note 6)	-	(117,600)	(117,600)
Operating Transfers Out (Note 5)	(50,000)	-	(50,000)
TOTAL OTHER FINANCING SOURCES (USES)	(50,000)	(117,600)	(167,600)
Net Change in Fund Balances	(37,346)	-	(37,346)
FUND BALANCES, JULY 1, 2004	231,840	-	231,840
FUND BALANCES, JUNE 30, 2005	<u>\$ 194,494</u>	<u>\$ -</u>	<u>\$ 194,494</u>
FUND BALANCES CONSIST OF:			
General Cash	\$ 193,752	\$ -	\$ 193,752
Deposits with Vendors	742	-	742
TOTAL FUND BALANCES	\$ 194,494	\$ -	\$ 194,494

The accompanying notes are an integral part of the schedule.

NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2005

1. Criteria

The accounting policies of the Nebraska Motor Vehicle Industry Licensing 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(2) R.S.Supp., 2004, 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, 2005, includes only those payables posted to NIS before June 30, 2005, and not yet paid as of that date. The amount recorded as expenditures as of June 30, 2005, **does not** include amounts for goods and services received before June 30, 2005 which had not been posted to NIS as of June 30, 2005.

The Board had no accounts receivable at June 30, 2005. The NIS system does not include liabilities for accrued payroll and compensated absences.

The fund types established by NIS that are used by the Board are:

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.

60000 – Trust Funds – account for assets held by the State in a trustee capacity. Expenditures are made in accordance with the terms of the trust.

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

Sales & Charges – Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees.

NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

NOTES TO THE SCHEDULE

(Continued)

1. Criteria (Concluded)

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

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 and deposits with vendors. Cash accounts and deposits with vendors are also included in fund balance and are reported as recorded on NIS.

Other Financing Sources – Operating transfers.

2. State Agency

The Nebraska Motor Vehicle Industry Licensing 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 Motor Vehicle Industry Licensing Board is part of the primary government for the State of Nebraska.

3. 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.

NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

NOTES TO THE SCHEDULE

(Continued)

4. 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. 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). The Board's values all capital assets at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Generally, equipment that has a cost of \$1,500 at the date of acquisition and has an expected useful life of two or more years is capitalized. Depreciation expenses would be reported in the CAFR in the funds used to acquire or construct them 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.

Equipment is depreciated using the straight-line method with estimated useful lives of three years.

Capital asset activity of the Board for the fiscal year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets				
Equipment	\$ 32,423	\$ 1,491	\$ 13,127	\$ 20,787
Less accumulated depreciation for:				
Equipment				<u>18,641</u>
Total capital assets, net of depreciation				<u>\$ 2,146</u>

5. Transfers

During the fiscal year ended June 30, 2005, the Legislature transferred \$50,000 per 2004 Neb. Laws LB 1089, Section 267(2)(j) from the Board's Cash Fund to the State's General Fund.

6. Deposits to/from Common Funds

Deposits to the Permanent School Fund includes fines assessed on advertising violations required to be deposited in the fund by Neb. Rev. Stat. Section 60-1415(2) R.R.S. 2004.

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**NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
EXAMINATION OF THE SCHEDULE OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Motor Vehicle Industry Licensing Board for the fiscal year ended June 30, 2005, and have issued our report thereon dated October 17, 2005. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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Internal Control Over Financial Reporting

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In planning and performing our examination, we considered the Nebraska Motor Vehicle Industry Licensing 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 an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 Motor Vehicle Industry Licensing Board's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedule. A reportable condition is described in the Comments Section of the report as Comment Number 6 (Reconciliation of Bank Records to the Nebraska Information System).

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A material weakness is a reportable 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 caused by error or fraud 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, we believe the reportable condition described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nebraska Motor Vehicle Industry Licensing 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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain additional items that we reported to management of the Nebraska Motor Vehicle Industry Licensing Board in the Comments Section of this report as Comment Number 1 (Reconciliation of Licenses), Comment Number 2 (Timeliness of Deposits), Comment 3 (Certificate of Titles), Comment Number 4 (Travel), and Comment Number 5 (Lack of Segregation of Duties Over Capital Assets).

This report is intended solely for the information and use of the Board and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

Handwritten signature of Timothy J. Chamber CPA in black ink.

Assistant Deputy Auditor

October 17, 2005

NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING 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.

