

**ATTESTATION REPORT  
OF THE  
NEBRASKA BOARD OF GEOLOGISTS  
JULY 1, 2004 THROUGH JUNE 30, 2005**

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**Issued on March 16, 2006**

# NEBRASKA BOARD OF GEOLOGISTS

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# NEBRASKA BOARD OF GEOLOGISTS

## **BACKGROUND**

The Board of Geologists was created by the Geologists Regulation Act of 1998. Statutory provisions creating the Board became operative January 1, 1999. The Geologists Regulation Act provides for the certification and licensure of professional geologists in Nebraska whose activities may affect public health and safety. The Board of Geologists determines whether geologist certification applicants have satisfied the requirements for licensing, issues licensing certificates, receives and investigates complaints, and performs other duties specified by the act.

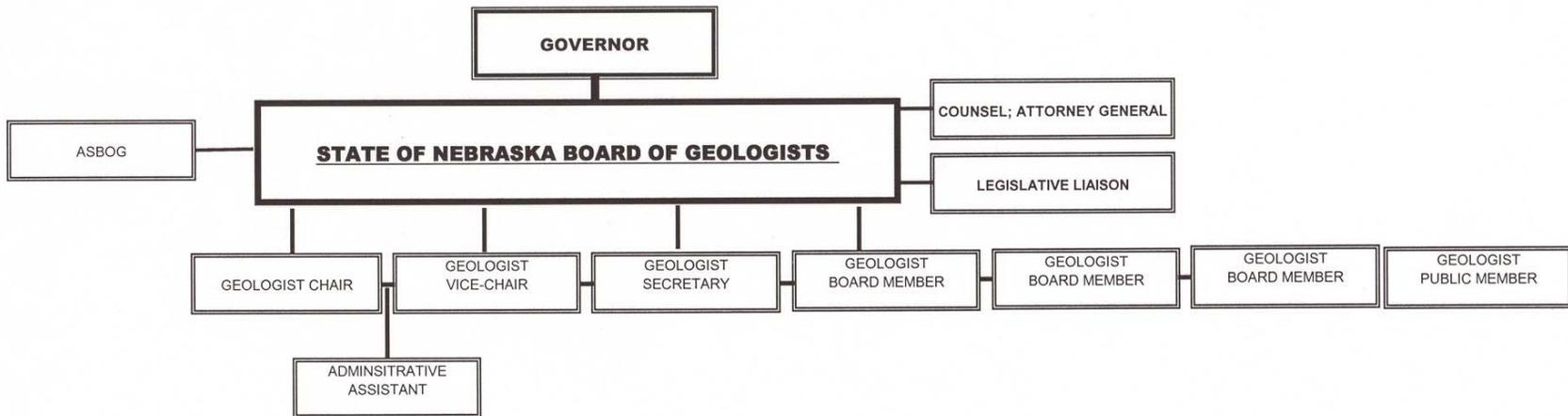
The Board consists of seven governor-appointed individuals who serve five-year terms. Six members are licensed geologists with at least 10 years of experience. One member must be a geology faculty member at the University of Nebraska. The seventh member represents the public. The Board meets at least once a year. Members are reimbursed for necessary expenses.

## **MISSION STATEMENT**

The Nebraska Board of Geologists oversees the registration and licensing of professional geologists for the State of Nebraska, and ensures the enforcement and implementation of the Geologists Regulation Act. The Board ensures that all registered organizations and professional geologists meet the required standards and also, through the powers and duties granted by the legislation, comments on, interprets and develops public understanding of the practice of geology.

NEBRASKA BOARD OF GEOLOGISTS

ORGANIZATIONAL CHART



NEBRASKA BOARD OF GEOLOGISTS

**EXIT CONFERENCE**

An exit conference was held February 14, 2006, with the Board to discuss the results of our examination. Those in attendance for the Nebraska Board of Geologists were:

<b>NAME</b>	<b>TITLE</b>
Richard Ehrman	Board Chair
David Becker (via teleconference)	Board Secretary
Sandra Weaver	Administrative Assistant

## NEBRASKA BOARD OF GEOLOGISTS

### SUMMARY OF COMMENTS

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

1. ***Internal Control Over Receipts:*** The Board did not have procedures to ensure all money collected was deposited. One individual opened the mail, established initial control, issued licenses and renewals, and reconciled licenses and renewals issued.
2. ***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 BOARD OF GEOLOGISTS

## COMMENTS AND RECOMMENDATIONS

### 1. **Internal Control Over Receipts**

Good internal control requires procedures to ensure all money collected is deposited. One procedure might include the Board performing and documenting a reconciliation of their licenses and renewals to ensure all monies collected are deposited.

The Board did not have procedures to ensure all money collected was deposited. One individual opened the mail, established initial control, issued licenses and renewals, and reconciled licenses and renewals issued to the Nebraska Information System (NIS). The individual also prepared an activity report and financial reports that the Board used to review the financial activity. The Board's review of the financial reports compared to the activity reports was not documented and did not include procedures to ensure all amounts received by the Board were actually deposited.

A lack of internal control over receipts increases the risk of possible loss or misuse of State funds.

We recommend the Board implement and document procedures to ensure all monies collected are deposited.

### 2. **Reconciliation of Bank Records to the Nebraska Information System**

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 the Nebraska Information System (NIS) and the Nebraska Accounting System (NAS), system before NIS). This has been an issue for the Department of Administrative Services Accounting Division (State Accounting) for many years. The APA's previous comments 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 State Accounting 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 December 19, 2005 to be as follows:

State Accounting has worked on the reconciliation process, but continued progress is needed. State Accounting's reconciliation process has developed into a very detailed process of analyzing bank activity, compared to activity recorded on NIS, to identify reconciling items. State Accounting has completed their reconciliation process for the months of July of 2004 and May, June, and July of 2005. The APA has reviewed these

NEBRASKA BOARD OF GEOLOGISTS

**COMMENTS AND RECOMMENDATIONS**

(Continued)

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

reconciliations. The months of May, June, and July show variances of \$3,425,381, \$3,405,702, and \$3,405,862, respectively. Again, the reconciliations show the bank being short compared to the accounting records. Per inquiry of management, State Accounting has started the reconciliation process for various months of the fiscal year ended June 30, 2006; however, the reconciliation process has not been a continuous monthly process and no monthly reconciliation has been completed since July of 2005.

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 NIS, there is a greater risk for fraud and errors to occur and to remain undetected.

Although State Accounting has worked on the reconciliation process, the process is still not done in a timely manner. 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.

We recommend State Accounting 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 State Accounting; 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 BOARD OF GEOLOGISTS

### INDEPENDENT ACCOUNTANT'S REPORT

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Nebraska Board of Geologists  
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We have examined the accompanying schedule of revenues, expenditures, and changes in fund balance of the Nebraska Board of Geologists (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 balance. Our responsibility is to express an opinion based on our examination.

Pat Reding, CPA  
Asst. Deputy Auditor  
[Pat.Reding@apa.ne.gov](mailto:Pat.Reding@apa.ne.gov)

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 balance and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

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In our opinion, the schedule referred to above presents, in all material respects, the revenues, expenditures, and changes in fund balance of the Nebraska Board of Geologists 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.

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Review Coordinator  
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In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2006, on our consideration of the Nebraska Board of Geologist'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

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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.

A handwritten signature in black ink that reads "Timothy J. Channer CPA". The signature is written in a cursive style with a large, sweeping initial "T".

Assistant Deputy Auditor

February 14, 2006

NEBRASKA BOARD OF GEOLOGISTS  
**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE**  
For the Fiscal Year Ended June 30, 2005

	Geologists Regulation Fund 25910
REVENUES:	
Sales & Charges	\$ 21,630
Miscellaneous	1,799
TOTAL REVENUES	23,429
EXPENDITURES:	
Operating	15,803
Travel	1,202
TOTAL EXPENDITURES	17,005
Net Change in Fund Balance	6,424
FUND BALANCE, JULY 1, 2004	46,811
FUND BALANCE, JUNE 30, 2005	\$ 53,235
FUND BALANCE CONSISTS OF:	
General Cash	\$ 53,235
TOTAL FUND BALANCE	\$ 53,235

The accompanying notes are an integral part of the schedule.

NEBRASKA BOARD OF GEOLOGISTS

**NOTES TO THE SCHEDULE**

For the Fiscal Year Ended June 30, 2005

**1. Criteria**

The accounting policies of the Nebraska Board of Geologists 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 balance 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 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:

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

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

NEBRASKA BOARD OF GEOLOGISTS

**NOTES TO THE SCHEDULE**

(Continued)

**1. Criteria** (Concluded)

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

**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.

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

**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.

**2. State Agency**

The Nebraska Board of Geologists (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 Board of Geologists is part of the primary government for the State of Nebraska.

# STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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**NEBRASKA BOARD OF GEOLOGISTS  
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 BALANCE  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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We have examined the accompanying schedule of revenues, expenditures, and changes in fund balance of the Nebraska Board of Geologists for the fiscal year ended June 30, 2005, and have issued our report thereon dated February 14, 2006. 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.

**Mary Avery**  
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**Internal Control Over Financial Reporting**

**Dennis Meyer, CGFM**  
Subdivision Budget  
Coordinator  
Dennis.Meyer@apa.ne.gov

In planning and performing our examination, we considered the Nebraska Board of Geologist'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 balance, and not to provide an opinion 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 Board of Geologist's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedule. Reportable conditions are described in the Comments Section of the report as Comment Number 1 (Internal Control over Receipts) and Comment Number 2 (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 that none of the reportable conditions described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nebraska Board of Geologist's schedule of revenues, expenditures, and changes in fund balance, 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*.

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

February 14, 2006

NEBRASKA BOARD OF GEOLOGISTS

**STATISTICAL SECTION**

Our examination was conducted for the purpose of forming an opinion on the schedule of revenues, expenditures, and changes in fund balance. 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 balance, and, accordingly, we express no opinion on it.

NEBRASKA BOARD OF GEOLOGISTS

