ATTESTATION REPORT
OF THE
NEBRASKA COMMISSION ON INDIAN AFFAIRS

JULY 1, 2004 THROUGH JUNE 30, 2005

Issued on March 28, 2006

NEBRASKA COMMISSION ON INDIAN AFFAIRS

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NEBRASKA COMMISSION ON INDIAN AFFAIRS

BACKGROUND

The Commission on Indian Affairs (Commission) was established in 1971. The Commission's purpose is to join representatives of all Indians in Nebraska to enhance the cause of Indian rights and to develop solutions to problems common to all Nebraska Indians. The Commission monitors legislation and coordinates activities among tribes, organizations, and State and Federal agencies.

Fourteen American Indians living in Nebraska are appointed as Commission members by the Governor. Members serve four-year terms and are appointed as follows: two from the Omaha Tribe reservation; two from the Winnebago Tribe reservation; two from the Santee Tribe reservation; two from the Ponca Tribe; one from the city of Lincoln; two from the city of Omaha; one from the district comprised of Box Butte, Dawes, Sheridan, and Sioux counties; one from the district comprised of Banner, Cheyenne, Deuel, Garden, Kimball, Morrill, and Scotts Bluff counties; and one at-large member. The Commission may appoint nonvoting, ex officio members who do not have to be American Indians.

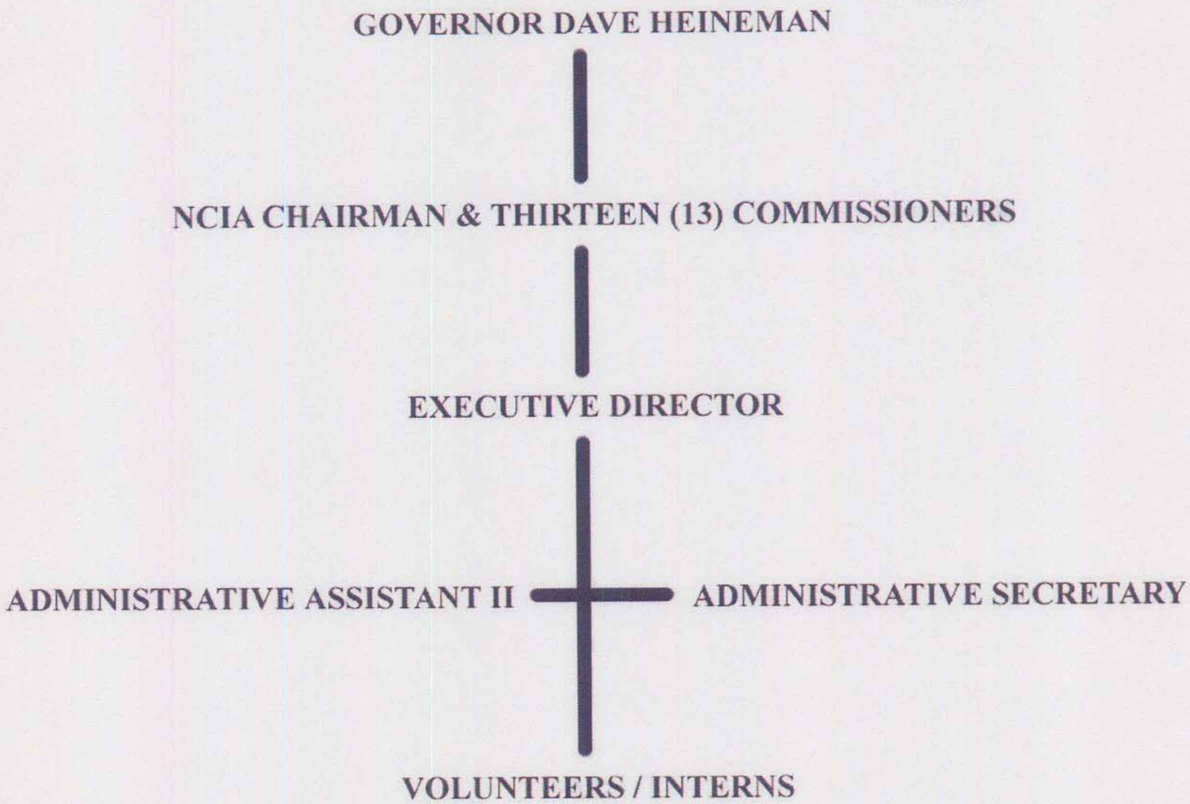
The Commission meets four times a year. Members are paid $50 per day when conducting Commission business and are reimbursed for their expenses. The Commission hires and sets the pay on an Executive Director who is a Nebraska Indian tribe member or a Nebraska resident of Indian descent.

MISSION STATEMENT

Dedicated to protecting tribal sovereignty, strengthening government-to-government consultation, and preserving the integrity of State-Tribal relations by legislating, educating, and advocating in partnership with tribal governments, Indian citizens, and organizations.

NEBRASKA COMMISSION ON INDIAN AFFAIRS

ORGANIZATIONAL CHART



EXIT CONFERENCE

An exit conference was held March 2, 2006, with the Commission to discuss the results of our examination. In attendance for the Nebraska Commission on Indian Affairs was:

NAME	TITLE
Judi M. gaiashkibos	Executive Director

SUMMARY OF COMMENTS

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

1. ***Controls Over Transactions:*** The Commission did not review the General Ledger Detail to determine that all transactions posted to the Commission's business units were authorized and correct. A contractual service payment was incorrectly charged to the General Fund.

2. ***Contract Documentation:*** The Commission did not have a signed contract on file for contracted services totaling $30,000. In addition, the Commission did not competitively bid the contractual services.

3. ***Controls Over Payroll:*** One employee was able to perform all steps of the payroll process with no review by a second individual. Commission staff indicated the personnel files, pay rate increases, pre-payroll, and payroll registers were being reviewed; however, the reviews were not documented.

4. ***Payroll Detail Testing:*** One employee tested did not have Form I-9 or a W-4 form on file; the employee did not have documentation to support an adjusted service date different than their original hire date; and the employee's sick leave balance was not correct on NIS. Another employee tested did not have authorization for all deductions on file. For one payroll period tested, the Commission was unable to locate the payroll register.

5. ***Compensatory Time:*** The Commission did not track compensatory time on NIS. Two employees were not earning compensatory time at the correct rate.

6. ***Travel Expenditures:*** Travel expense reimbursements were not adequately documented and were not in accordance with State requirements.

7. ***Fixed Assets:*** Two of four assets tested did not agree with the tag numbers on the Fixed Asset Listing. Items were improperly coded and the Commission did not review NIS Integrity Reports, including the Additions and Retirement Report.

8. ***Invoices Not Entered on NIS Timely:*** The Commission did not enter invoices on NIS immediately upon receipt.

9. ***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.

SUMMARY OF COMMENTS
(Continued)

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 Commission to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. The Commission declined to respond.

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

COMMENTS AND RECOMMENDATIONS

1. Controls Over Transactions

Good internal control requires a review of the General Ledger Detail to ensure all financial transactions are authorized, complete, and accurate. Good internal control also requires procedures to ensure that payments are properly charged to the correct fund.

We noted the following:

- The Commission did not review the General Ledger Detail to determine that all transactions posted to the Commission's business units were authorized and correct.
- A contractual service payment was incorrectly coded to a revenue account and charged to the General Fund which should have been charged as an operating expense to the Commission's Cash Fund. No correcting entry was made on NIS. The financials were adjusted to reflect the payment as operating in the General Fund.

Without adequate procedures, there is an increased risk for errors to occur and go undetected.

> We recommend the Commission perform and document a review of the General Ledger Detail to ensure all financial transactions are authorized and accurate. In addition, we recommend the Commission improve procedures to ensure that payments are correctly recorded on NIS.

2. Contract Documentation

Good internal control requires a signed contract for which contractual services are agreed upon and that the contract be kept on file. Executive Order 02-03, Section 4.2(A), states "Agency directors shall assure that each service contract and personal service contract in excess of $25,000 is competitively bid at the agency level in the manner prescribed by the DAS Materiel Procedures for the Procurement of Contractual Services manual or a process approved by the DAS Director or designee."

During testing, we noted the Commission did not have a signed contract on file for contracted services totaling $30,000. The contractors failed to achieve the required services for the Commission and the agreement was terminated at a cost of $1,000. In addition, the Commission did not competitively bid the contractual services.

Without a written contract, the risk increases for disputes to occur and for the possible loss or misuse of State funds.

COMMENTS AND RECOMMENDATIONS
(Continued)

2. Contract Documentation (Concluded)

> We recommend the Commission implement procedures to ensure a signed written contract exists for all contractual services. We also recommend the Commission competitively bid contractual services in excess of $25,000.

3. Controls Over Payroll

Good internal control requires an adequate segregation of duties to ensure a single person cannot handle all phases of payroll from beginning to end. Good internal control also requires adequate documentation be maintained for reviews performed. These reviews include the review of employee files, pay increases, and comparisons of pre-payroll to final output.

One employee was able to perform all steps of the payroll process. Commission staff indicated the personnel files, pay rate increases, pre-payroll, and payroll registers were being reviewed; however, the reviews were not documented.

Inadequate controls increase the risk for errors or loss to occur and not be detected.

> We recommend the Commission implement procedures to ensure adequate segregation of duties over payroll. We further recommend reviews of the payroll process be documented.

4. Payroll Detail Testing

The Federal Government I-9 form states, "all employees, citizens, and non-citizens, hired after November 6, 1986, must complete Section 1 of this form at the time of hire … an individual may not begin employment unless this form is completed, since employers are subject to civil or criminal penalties if they do not comply with the Immigration and Control Act of 1986." The Department of Administrative Services (DAS) Classified System Rules and Regulations Manual Chapter 11-002 requires each agency maintain certain personnel records including copies of documents initiated by the employee that affect pay (W-4's, authorized deductions, etc.). Good internal control requires procedures to ensure all adjusted service dates and leave balances on NIS are correct. Good internal control also requires records be maintained and easily accessible upon request.

COMMENTS AND RECOMMENDATIONS
(Continued)

4. Payroll Detail Testing (Concluded)

We tested payroll for two employees for one pay period each and noted the following:

- One employee tested did not have Form I-9 or a W-4 form on file; the employee did not have documentation to support an adjusted service date different than their original hire date; and the employee's sick leave balance was not correct on NIS.
- The other employee did not have authorization for all deductions on file.
- For one payroll period tested, the Commission was unable to locate the payroll register.

The Commission is not in compliance with the Immigration Reform and Control Act of 1986 or DAS Rules and Regulations. Employees with different adjusted service dates than their original hire dates could be earning leave at an incorrect rate. There is an increased possibility of loss or misappropriation of State funds.

> We recommend the Commission implement procedures to ensure compliance with Federal and State regulations. We also recommend the Commission ensure all adjusted service dates are accurate and leave is correctly recorded on NIS.

5. Compensatory Time

Nebraska State Accounting Manual, AM-005, General Policies, Section 34 states "State Accounting has adopted the Nebraska Information System (NIS) to record all earned but not used sick and vacation leave and compensatory time. State Accounting needs this data in the system to be able to verify the dollar amount of the earned but unpaid days when the employee leaves State employment and to annually compute a liability for the Comprehensive Accounting Financial Report (CAFR). If an agency does not input such leave data into NIS, it is State policy to consider such liability NOT to exist. Therefore, when any employee of such agency leaves State government, NO payment will be allowed for any claimed unused vacation or sick leave or compensatory time until proper accounting for such leave or time is provided." Good internal control requires all leave accrued and used be tracked through NIS, the State's official accounting system.

The NAPE/AFSCME and State of Nebraska Labor Contract, Section 12.1, Overtime, states "For the purposes of this Contract, an "overtime eligible" employee shall mean an employee who receives time and one-half compensation for overtime hours."

COMMENTS AND RECOMMENDATIONS
(Continued)

5. Compensatory Time (Concluded)

We noted the Commission did not track compensatory time on NIS. Compensatory time was being tracked manually on employee timesheets. A similar finding was noted in our prior report. We also noted two employees were not earning compensatory time at the correct rate.

The Commission is not in compliance with the State Accounting Manual or the NAPE/AFSCME Contract. There is an increased possibility of misuse of State funds.

> We recommend the Commission use NIS to track compensatory leave accrued and used. We also recommend the Commission grant compensatory time in accordance with the NAPE/AFSCME Contract.

6. Travel Expenditures

Neb. Rev. Stat. Section 81-1174 R.S.Supp., 2004 regarding travel reimbursements states, "Each request shall be fully itemized, including when, where, and why the expense was incurred and the actual amount involved . . . the necessity and purpose of such travel shall be shown on such request . . . The statement of expenses shall be duly verified and supported by receipts, except meals and immaterial items identified by the director, for which reimbursement is requested . . . The approval to attend a function, conference, or hearing shall be obtained from the director of the department, agency, commission, council, committee, or board prior to an individual's attendance at such function, conference, or hearing."

Nebraska State Accounting Manual, AM-005, Travel Expense Policies, Section 4, states "It is a State Accounting policy that a person generally must be more than 60 miles from his or her workplace in order to be eligible for lodging. There may be reasons to pay for lodging for distances less than 60 miles . . . in those instances the reason must be clearly stated on the disbursement document."

Nebraska State Accounting Manual, AM-005, Travel Expense Policies, Section 5, 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. A combination of receipts and detailed itemization is permitted. To satisfy the requirement of our accountable plan, the employee should utilize a documentation record to transfer cost information to the expense reimbursement form so reimbursement can be made."

COMMENTS AND RECOMMENDATIONS
(Continued)

6. **Travel Expenditures** (Concluded)

Good internal control requires procedures to ensure all reimbursements are reasonable and necessary expenses and that adequate supporting documentation is maintained.

We tested seven travel expense documents and noted the following:

- One document included $96 for lodging for an employee within 60 miles of their headquarter city. There was no documentation provided to support the reason for lodging for one night.
- An employee was reimbursed $53 one day and $78 on another day of which $70 was claimed for one meal. The Federal daily guideline for meals was $47. Also, the receipts included did not document which meal each receipt was for. Another expense reimbursement did not include a detailed receipt or log for meals. The amount reimbursed was $27.
- Two expense reimbursement documents did not include start and stop times for travel. For one document we were unable to determine if lodging was appropriate since the start and stop times were not included. The amount paid for the lodging was $60.
- One document included lodging for six Commission members to stay in Lincoln, Nebraska after a commissioners meeting. The rooms were $109 each. One commissioner, whom a room was booked and paid for, did not attend the meeting. The Federal guideline for lodging in Nebraska was $60.
- One document included reimbursement for a rental car. The agenda for this trip indicated buses were available for individuals attending the conference. There was no documentation provided to indicate the necessity of a car rental. The total reimbursed for rental car and gas was $228.
- An expense reimbursement for the Director was approved by an Administrative Assistant. The Director indicated expense reimbursements were routinely prepared and approved by the Administrative Assistant without review by a commissioner.

A similar comment was noted in our prior report.

> We recommend the Commission implement procedures to ensure disbursements are reasonable, necessary, and in accordance with State guidelines. We also recommend a commissioner approve travel for the Director.

COMMENTS AND RECOMMENDATIONS
(Continued)

7. Fixed Assets

Good internal control requires the Commission to compare the assets on the Fixed Asset Listing to the actual assets to ensure the items can be located and the tag numbers agree. Good internal control also requires the Commission review NIS Integrity Reports and ensure all capital outlay purchases are correctly reported on NIS. In addition, good internal control requires procedures to ensure that purchases are correctly coded on NIS and properly reflected on the Fixed Asset Listing.

During testing, we noted the following:

- Two of four assets tested were tagged but did not agree with the tag numbers on the Fixed Asset Listing.
- The one item listed on the Unposted Fixed Asset Transactions Report was miscoded as a capital asset and a correcting entry was not made on NIS.
- The Commission coded computer equipment to office supplies for one of three documents tested.
- The Commission did not review NIS Integrity Reports, including the Additions and Retirement Report.

Without proper procedures, there is an increased risk of possible loss or misuse of State property. There also is an increased risk that errors will not be detected and corrected in a timely manner.

> We recommend the Commission compare the Fixed Asset Listing to the actual assets to ensure the items can be located and the tag numbers agree. We also recommend the Commission review procedures to ensure that purchases are correctly coded on NIS and the Fixed Asset Listing. In addition, we recommend the Commission implement procedures to review all NIS Integrity Reports, including the Additions and Retirement Report, and document this review.

COMMENTS AND RECOMMENDATIONS
(Continued)

8. Invoices Not Entered on NIS Timely

Sound accounting practice requires the immediate input of invoices into the accounting system to ensure the payables of the State are accurately reported and to decrease the risk of invoices being misplaced or lost. Neb. Rev. Stat. Section 81-2403 R.R.S. 1999 requires the payment of expenditures within 45 days of receipt of the goods or the invoice whichever occurs later.

The Commission did not enter invoices on NIS immediately upon receipt. The Commission stated that invoices are entered approximately every two weeks due to a small number of invoices received per month.

There is an increased risk of noncompliance with State statute and payables to be inaccurately reported.

> We recommend the Commission implement procedures to promptly enter invoices on NIS.

9. 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 reconciliations. The months of May, June, and July show variances of $3,425,381,

COMMENTS AND RECOMMENDATIONS
(Continued)

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

$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.

STATE OF NEBRASKA
AUDITOR OF PUBLIC ACCOUNTS

P.O. Box 98917
State Capitol, Suite 2303
Lincoln, NE 68509
402-471-2111, FAX 402-471-3301
www.auditors.state.ne.us

Kate Witek
State Auditor
kwitek@mail.state.ne.us

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

Don Dunlap, CPA
Asst. Deputy Auditor
ddunlap@mail.state.ne.us

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

Tim Channer, CPA
Asst. Deputy Auditor
channer@mail.state.ne.us

Mary Avery
SAE/Finance Manager
marya@mail.state.ne.us

Dennis Meyer, CGFM
Subdivision Budget Coordinator
dmeyer@mail.state.ne.us

Mark Avery, CPA
Subdivision Audit Review Coordinator
mavery@mail.state.ne.us

Perry Pirsch, JD, MPA
Legal Counsel
ppirsch@mail.state.ne.us

NEBRASKA COMMISSION ON INDIAN AFFAIRS

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Commission on Indian Affairs
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Commission on Indian Affairs (Commission) for the fiscal year ended June 30, 2005. The Commission'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 Commission on Indian Affairs 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 March 2, 2006, on our consideration of the Nebraska Commission on Indian Affair'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 Commission and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

Pat Reding, CPA

Assistant Deputy Auditor

March 2, 2006

NEBRASKA COMMISSION ON INDIAN AFFAIRS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Fiscal Year Ended June 30, 2005

	General Fund 10000	Indian Affairs Cash Fund 27220	**Total (Memorandum Only)**
REVENUES:			
Appropriations	$ 174,172	$ -	$ 174,172
Intergovernmental	5,216	13,333	18,549
TOTAL REVENUES	179,388	13,333	192,721
EXPENDITURES:			
Personal Services	128,513	-	128,513
Operating	34,159	1,000	35,159
Travel	13,468	322	13,790
Capital Outlay	32	-	32
TOTAL EXPENDITURES	176,172	1,322	177,494
Excess of Revenues Over Expenditures	3,216	12,011	15,227
OTHER FINANCING SOURCES (USES):			
Deposit to General Fund	(3,216)	-	(3,216)
Net Change in Fund Balances	-	12,011	12,011
FUND BALANCES, JULY 1, 2004	147	-	147
FUND BALANCES, JUNE 30, 2005	$ 147	$ 12,011	$ 12,158
FUND BALANCES CONSIST OF:			
General Cash	$ -	$ 12,011	$ 12,011
Deposits with Vendors	147	-	147
TOTAL FUND BALANCES	$ 147	$ 12,011	$ 12,158

The accompanying notes are an integral part of the schedule.

NEBRASKA COMMISSION ON INDIAN AFFAIRS

NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2005

1. Criteria

The accounting policies of the Nebraska Commission on Indian Affairs 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 on 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 Commission 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 Commission 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 Commission are:

> **10000 – General Fund** – accounts for all financial resources not required to be accounted for in another fund.
>
> **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.

NOTES TO THE SCHEDULE
(Continued)

1. Criteria (Concluded)

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

Appropriations – Appropriations are granted by the Legislature to make expenditures and to incur obligations. The amount of appropriations reported as revenue is the amount of expenditures.

Intergovernmental – Revenue from other governments in the form of grants, entitlements, shared revenues, payments in lieu of taxes, or reimbursements.

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

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

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 Commission 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.

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 Commission on Indian Affairs (Commission) is a State agency established under and governed by the laws of the State of Nebraska. As such, the Commission is exempt from State and Federal income taxes. The schedule includes all funds of the Commission.

NOTES TO THE SCHEDULE
(Continued)

2. State Agency (Concluded)

The Nebraska Commission on Indian Affairs 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.

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 Commission'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 $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 to ten years.

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets				
Equipment	$ 20,342	$ -	$ -	$ 20,342
Less accumulated depreciation for:				
Equipment				14,997
Total capital assets, net of depreciation				$ 5,345

STATE OF NEBRASKA
AUDITOR OF PUBLIC ACCOUNTS

P.O. Box 98917
State Capitol, Suite 2303
Lincoln, NE 68509
402-471-2111, FAX 402-471-3301
www.auditors.state.ne.us

Kate Witek
State Auditor
kwitek@mail.state.ne.us

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

Don Dunlap, CPA
Asst. Deputy Auditor
ddunlap@mail.state.ne.us

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

Tim Channer, CPA
Asst. Deputy Auditor
channer@mail.state.ne.us

Mary Avery
SAE/Finance Manager
marya@mail.state.ne.us

Dennis Meyer, CGFM
Subdivision Budget Coordinator
dmeyer@mail.state.ne.us

Mark Avery, CPA
Subdivision Audit Review Coordinator
mavery@mail.state.ne.us

Perry Pirsch, JD, MPA
Legal Counsel
ppirsch@mail.state.ne.us

NEBRASKA COMMISSION ON INDIAN AFFAIRS

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*

Nebraska Commission on Indian Affairs
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Commission on Indian Affairs for the fiscal year ended June 30, 2005, and have issued our report thereon dated March 2, 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.

Internal Control Over Financial Reporting

In planning and performing our examination, we considered the Nebraska Commission on Indian Affair'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 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 Commission on Indian Affair'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 (Controls Over Transactions), Comment Number 3 (Controls Over Payroll), and Comment Number 9 (Reconciliation of Bank Records to the Nebraska Information System).

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 Commission on Indian Affair'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 Commission on Indian Affairs in the Comments Section of this report as Comment Number 2 (Contract Documentation), Comment Number 4 (Payroll Detail Testing), Comment Number 5 (Compensatory Time), Comment Number 6 (Travel Expenditures), Comment Number 7 (Fixed Assets), and Comment Number 8 (Invoices Not Entered on NIS Timely).

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

Pat Reding, CPA

March 2, 2006

Assistant Deputy Auditor

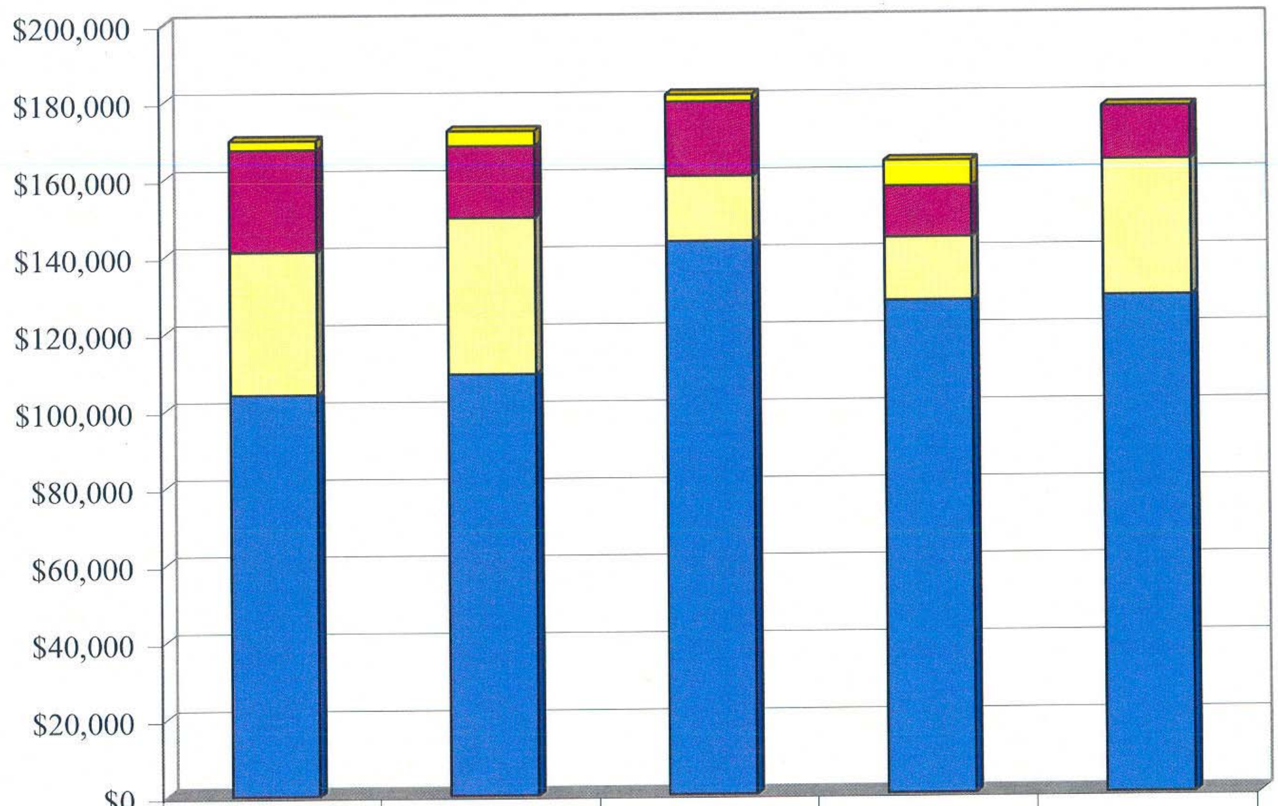
STATISTICAL SECTION

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 COMMISSION ON INDIAN AFFAIRS

EXPENDITURES BY MAJOR ACCOUNT CATEGORY

Fiscal Years Ended June 30, 2001 though 2005



	2001	2002	2003	2004	2005
Capital Outlay	$2,388	$3,853	$1,818	$6,599	$32
Travel	$26,441	$18,592	$19,284	$13,258	$13,790
Operating Expenses	$37,032	$40,532	$16,807	$16,287	$35,159
Personal Services	$103,955	$109,122	$143,268	$127,572	$128,513