

**ATTESTATION REPORT
OF THE
NEBRASKA HIGHWAY COMMISSION
JULY 1, 2006 THROUGH JUNE 30, 2007**

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Issued on November 29, 2007

NEBRASKA HIGHWAY COMMISSION

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NEBRASKA HIGHWAY COMMISSION

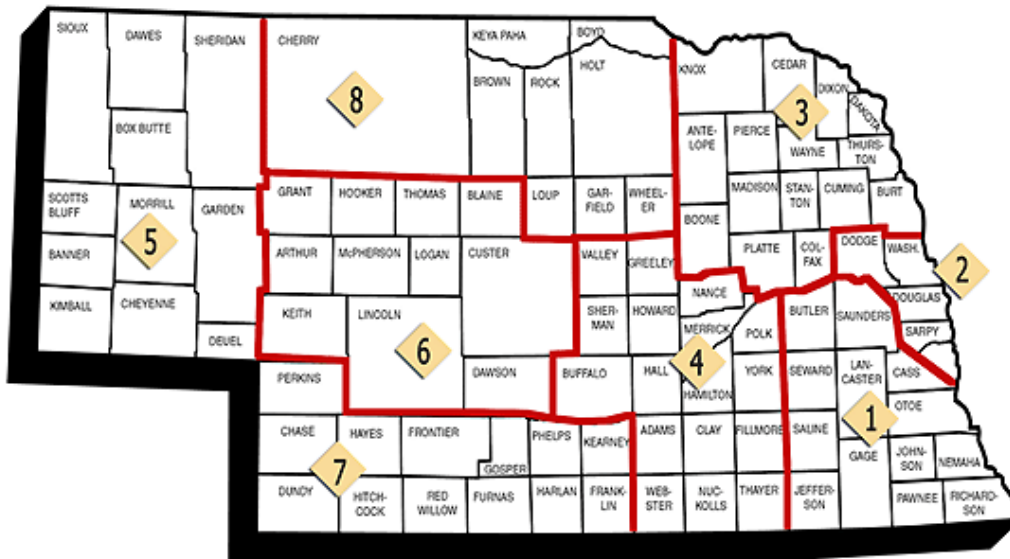
BACKGROUND

The 1953 Legislature created the seven-member State Highway Commission to advise the Director of the Department of Roads on policies to carry out the Department's duties and responsibilities. In 1987, the Legislature added another Commission member and aligned Commission districts to match Department of Road's districts. The Commission holds public hearings throughout the State to advise the public of Department policies and activities.

Commission members are appointed to six-year terms by the Governor with legislative approval. Members represent Nebraska's eight highway commission districts. Each member must be a U.S. citizen, at least 30 years old, and a resident of the district they represent for three years before appointment. No more than four Commission members may be from the same political party. The Director of the Department of Roads is an ex-officio member of the Commission and votes to break ties. Commission members receive \$20 a day for conducting Commission business and are reimbursed for expenses.

| Member | Represents |
|-----------------------------------|-------------------|
| Duane W. Acklie, Lincoln | District 1 |
| Ronald W. Books, North Platte | District 6 |
| Jerome Fagerland, Atkinson | District 8 |
| John Kingsbury, Ponca | District 3 |
| Doug Leafgreen, Gering | District 5 |
| Richard S. Reiser, Omaha | District 2 |
| Donna M. Wanitschke, Grand Island | District 4 |
| Greg Wolford, McCook | District 7 |
| John L. Craig, Omaha | Director of Roads |

NEBRASKA HIGHWAY COMMISSION DISTRICTS



NEBRASKA HIGHWAY COMMISSION

EXIT CONFERENCE

An exit conference was held October 29, 2007, with the Commission to discuss the results of our examination. Those in attendance for the Nebraska Highway Commission were:

| NAME | TITLE |
|---------------|----------------------------|
| John L. Craig | Director |
| Steve Maraman | Finance Administrator |
| Marilyn Hayes | Budget and Finance Manager |
| Cyndy Roth | Accounting Manager |

NEBRASKA HIGHWAY COMMISSION

COMMENT AND RECOMMENDATION

During our examination of the Nebraska Highway Commission, we noted a certain matter involving the internal control over financial reporting and other operational matters that is presented here.

Timesheets

For all three timesheets tested, the timesheets were signed by the employee and approved by a supervisor prior to the last day worked in the pay period. All three timesheets were approved at least two days prior to the last day worked in the pay period.

Good internal controls require payroll timesheets be completed and approved after the end of the pay period.

As a result, actual time worked and leave taken may not agree to hours recorded on the timesheets and used to calculate amounts paid to the employee.

We recommend all timesheets be prepared and approved after the final day worked during the pay period.

Commission's Response: The supervisor has been notified that timesheet approval should not occur until the end of the pay period.

It should be noted this report is critical in nature as it contains only our comment and recommendation on the area 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 comment and recommendation included in this report. The formal response received has been incorporated into this report. The response has been objectively evaluated and recognized, as appropriate, in the report. A response that indicates corrective action has been taken was not verified at this time, but will be verified in the next examination.

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



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

Mike.Foley@apa.ne.gov
P.O. Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.state.ne.us

NEBRASKA HIGHWAY COMMISSION

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Highway Commission
Lincoln, Nebraska

We have examined the accompanying schedule of expenditures of the Nebraska Highway Commission (Commission) for the fiscal year ended June 30, 2007. The Commission's management is responsible for the schedule of expenditures. 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 expenditures 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, expenditures of the Nebraska Highway Commission for the fiscal year ended June 30, 2007, 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 November 27, 2007, on our consideration of the Nebraska Highway Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations 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 management, the Nebraska Highway Commission, others within the Commission, 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

November 27, 2007

NEBRASKA HIGHWAY COMMISSION
SCHEDULE OF EXPENDITURES
For the Fiscal Year Ended June 30, 2007

EXPENDITURES:

| | |
|-----------------------------|-------------------------|
| Personal Services | \$ 65,468 |
| Operating | 725 |
| Travel | <u>26,085</u> |
| TOTAL EXPENDITURES (Note 3) | <u><u>\$ 92,278</u></u> |

The accompanying notes are an integral part of the schedule.

NEBRASKA HIGHWAY COMMISSION

NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2007

1. Criteria

The accounting policies of the Nebraska Highway Commission (Commission) 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., 2006, 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.”

In accordance with Neb. Rev. Stat. Section 81-1111(1) R.R.S. 1999, The State Accounting Administrator has prescribed the system of accounts and accounting to be maintained by the State and its departments and agencies and has developed necessary accounting policies and procedures. The prescribed accounting system currently utilizes the Nebraska Information System (NIS) to maintain the general ledger and all detail accounting records. Policies and procedures are detailed in the Nebraska State Accounting Manual published by DAS State Accounting Division (State Accounting) and are available to the public. The financial information used to prepare the schedule of expenditures was obtained from the Department of Roads Payment System and verified to NIS. As transactions occur, the agencies record the accounts payable in the general ledger. As such, certain expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows. The expenditures and related accounts payables recorded in the general ledger as of June 30, 2007, include only those payables posted in the general ledger before June 30, 2007, and not yet paid as of that date. The amount recorded as expenditures as of June 30, 2007, **does not** include amounts for goods and services received before June 30, 2007, which had not been posted to the general ledger as of June 30, 2007.

The major expenditure account classifications established by State Accounting 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.

NEBRASKA HIGHWAY COMMISSION

NOTES TO THE SCHEDULE

(Continued)

2. Reporting Entity

The Nebraska Highway 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 included in the general ledger.

The Nebraska Highway Commission is part of the primary government for the State of Nebraska.

3. Roads Operations Cash Fund 22700

The expenditures for the Commission were made out of the Roads Operations Cash Fund 22700.



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State Auditor

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P.O. Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
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www.auditors.state.ne.us

NEBRASKA HIGHWAY COMMISSION
**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN EXAMINATION OF THE
SCHEDULE OF EXPENDITURES PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Nebraska Highway Commission
Lincoln, Nebraska

We have examined the accompanying schedule of expenditures of the Nebraska Highway Commission as of and for the year ended June 30, 2007, and have issued our report thereon dated November 27, 2007. 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 Highway Commission's internal control over financial reporting as a basis for designing our procedures for the purpose of expressing our opinion on the schedule of expenditures, but not for the purpose of expressing an opinion on the effectiveness of the Nebraska Highway Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Nebraska Highway Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Nebraska Highway Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the accounting system and procedures prescribed by the State of Nebraska Director of Administrative Services such that there is more than a remote likelihood that a misstatement of the Nebraska Highway Commission's financial schedule that is more than inconsequential will not be prevented or detected by the Nebraska Highway Commission's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial schedule will not be prevented or detected by the Nebraska Highway Commission's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nebraska Highway Commission's financial schedule is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, 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 audit, 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 noted a certain additional item that we reported to management of the Nebraska Highway Commission in the Comments Section of this report as Timesheets.

Nebraska Highway Commission's written response to the findings identified in our audit are described in the Comments Section of the report. We did not examine Nebraska Highway Commission's response and accordingly, we express no opinion on it. Where no response is indicated, the Commission declined to respond.

This report is intended solely for the information and use of management, the Nebraska Highway Commission, others within the Commission, 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. Chambers CPA in black ink.

Assistant Deputy Auditor

November 27, 2007

NEBRASKA HIGHWAY COMMISSION

STATISTICAL SECTION

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

NEBRASKA HIGHWAY COMMISSION
SCHEDULE OF EXPENDITURES BY COMMISSIONER
For the Fiscal Year Ended June 30, 2007

| | <u>Per Diems</u> | <u>Operating</u> | <u>Travel</u> | Total |
|--------------------------------|------------------------------|------------------|------------------|------------------|
| Duane Acklie, Lincoln | \$ 300 | \$ - | \$ 20 | \$ 320 |
| Ronald Books, North Platte | 420 | - | 2,159 | 2,579 |
| Jerome Fagerland, Atkinson | 540 | - | 3,596 | 4,136 |
| John Kingsbury, Ponca | 480 | - | 1,917 | 2,397 |
| Doug Leafgreen, Gering | 440 | - | 3,903 | 4,343 |
| Richard Reiser, Omaha | 320 | - | 508 | 828 |
| Donna Wanitschke, Grand Island | 360 | - | 833 | 1,193 |
| Greg Wolford, McCook | 580 | - | 5,095 | 5,675 |
| | <u>Salary & Benefits</u> | | | |
| Commission Secretary | 62,028 | - | 48 | 62,076 |
| Other | - | 725 | 8,006 | 8,731 |
| TOTAL EXPENDITURES | <u>\$ 65,468</u> | <u>\$ 725</u> | <u>\$ 26,085</u> | <u>\$ 92,278</u> |