

**ATTESTATION REPORT
OF THE
NEBRASKA REAL PROPERTY APPRAISER BOARD**

JULY 1, 2005 THROUGH FEBRUARY 9, 2007

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Issued on May 3, 2007

NEBRASKA REAL PROPERTY APPRAISER BOARD

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NEBRASKA REAL PROPERTY APPRAISER BOARD

BACKGROUND

The Real Property Appraiser Board is a five member regulatory board which enforces the Real Property Appraiser Act. The composition of the Board includes three members who are certified appraisers, one from each of the congressional districts; one member who represents financial institutions; and one member who is a licensed real property broker who also holds a credential as a licensed or certified real property appraiser. The Board was established by the Appraiser Act of 1991 to bring Nebraska into compliance with the Federal Financial Institutions Reform and Recovery Act of 1989.

The Board issues and renews appraiser registrations, licenses, residential certificates, and general certificates to those who qualify on the basis of classroom hours, test scores, appraiser experience, and competency. The Board also investigates complaints against appraisers and takes appropriate disciplinary action.

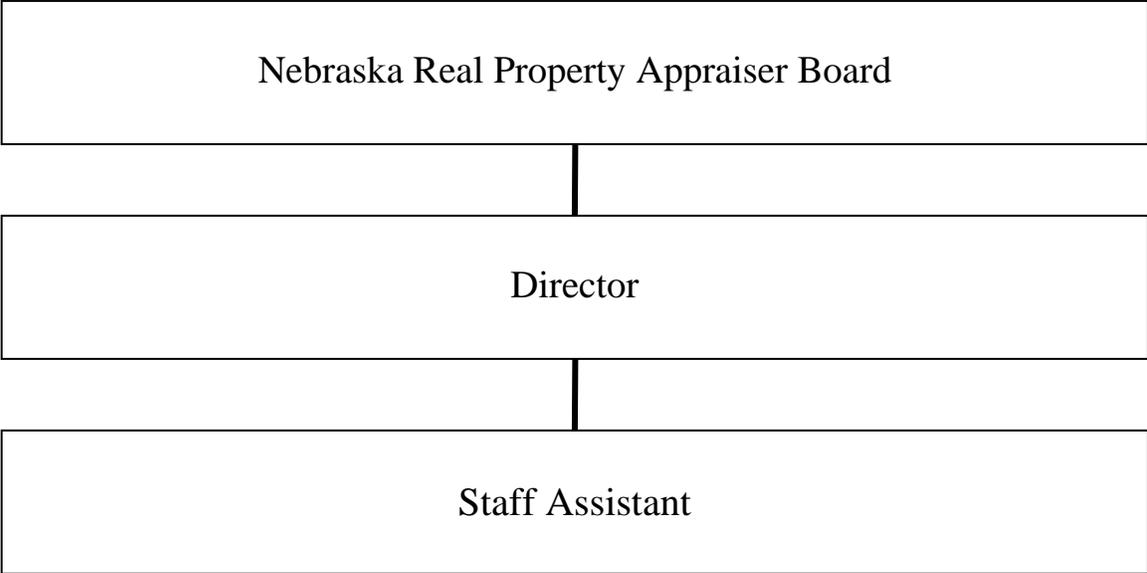
The Board's Director terminated on February 9, 2007, and the Board requested an examination of its records through that date.

MISSION STATEMENT

The mission of the Nebraska Real Property Appraiser Board is to regulate and support appraisers in compliance with Nebraska law and Federal mandates for the benefit of citizens needing appraisals related to real property transactions in this State.

NEBRASKA REAL PROPERTY APPRAISER BOARD

ORGANIZATIONAL CHART



NEBRASKA REAL PROPERTY APPRAISER BOARD

EXIT CONFERENCE

An exit conference was held April 4, 2007, with the Board to discuss the results of our examination. Those in attendance for the Nebraska Real Property Appraiser Board were:

NAME	TITLE
Kitty Policky	Interim Director
Joe Wilson	Board Vice Chair

NEBRASKA REAL PROPERTY APPRAISER BOARD

SUMMARY OF COMMENTS

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

1. **Payroll:** One employee performed all functions of the payroll process and appropriate personnel file records were not maintained.
2. **Timesheets:** Adequate timesheets were not maintained for the two employees of the Board to document forty hours of work each week or leave used.
3. **Receipts:** Fees charged and collected were not adequately documented, fees charged were incorrectly collected, and fees collected were not deposited in a timely manner.
4. **Fees Charged:** The fee charged by the Board for registered applications was less than the fee established in Neb. Rev. Stat. Section 76-2241(1) R.S.Supp., 2006.
5. **Late Fees:** There is a conflict between the Board's statute and the Nebraska Constitution regarding the collection and depositing of late fees.
6. **Excessive Fund Balance:** The Board's fund balance at June 30, 2006, was \$393,319, which represented almost two times the annual expenditures of the Board. A similar finding was noted in the four previous reports.
7. **Liability Accounts:** The Board did not adequately account for the collection and subsequent payment of sales tax and national registry fees.
8. **Capital Assets:** One employee performed all functions of the capital asset process and the Board's capital asset listing was not representative of the assets in the possession of the Board.

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. All formal responses received have been incorporated into this report. Responses have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were 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 REAL PROPERTY APPRAISER BOARD

COMMENTS AND RECOMMENDATIONS

1. Payroll

Good internal control requires an adequate segregation of duties over payroll to ensure no one individual is in a position to both perpetrate and conceal errors or irregularities. Good internal control also requires all changes in salaries be documented and all notifications sent to the Department of Administrative Services - State Accounting (DAS) authorizing the processing of payroll be documented.

Title 273 Nebraska Administrative Code (NAC) 11.002 requires agencies to maintain certain personnel records including all documents that affect pay (W-4s, authorized deductions). Title 273 NAC 9.004 and 9.005 state earning of vacation and sick leave begin immediately on employment.

The Board had two employees during the examination period, a Director and one Staff Assistant. We noted the following during our examination of the Board's payroll:

- One employee performed all functions of the payroll process including making changes to the employee master file, making changes to pay rates, preparing the pre-payroll register, approving the final payroll register, and notifying DAS the payroll was ready for processing.
- Notifications to DAS to process payroll were not documented and retained on file in the office.
- Salary rate changes for one employee were not documented and retained on file in the office.
- Appropriate personnel file records were not maintained for any employee. The Board did not have I-9 forms (Employment Verification), W-4 forms, salary rate authorizations, or any deduction authorization forms on file.
- One employee did not earn sick or vacation leave for the first month she worked for the Board. The employee should have earned an additional 7.4 hours of both sick and vacation leave.

Without an adequate segregation of duties over payroll there is an increased risk of loss or misuse of State funds. Without adequate procedures to ensure proper forms and documents are maintained on file, there also is an increased risk of loss or misuse of State funds. This was a prior report finding.

NEBRASKA REAL PROPERTY APPRAISER BOARD

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Payroll** (Concluded)

We recommend the Board implement procedures to ensure there is an adequate segregation of duties. If an adequate segregation of duties is not possible, we recommend a compensating control be used which would include a documented review by a second individual of all payroll transactions processed. We also recommend the Board implement procedures to ensure adequate payroll and personnel records are maintained.

Board's Response: The Board agrees that an adequate segregation of duties is imperative to ensure good internal control. The Board is implementing procedures for appropriate maintenance of all personnel file records. These records will include the I-9 forms, W-4 forms, salary rate authorizations or any deduction authorization forms. The Board cannot adequately segregate the duties of payroll with two employees; however, the Board has implemented a control with a minimum of three individuals reviewing all payroll transactions processed.

2. **Timesheets**

Neb. Rev. Stat. Section 84-1001 R.R.S 1999 states "All state officers and heads of departments and their deputies, assistants, and employees ... shall render not less than forty hours of labor each week except any week in which a paid holiday may occur." Good internal control requires procedures to ensure adequate documentation that all employees render forty hours of work each week, particularly when employees are eligible for overtime or will receive a payment for unused sick and vacation leave upon termination.

No timesheets were maintained for the two employees of the Board to document forty hours of work each week or the number of hours of vacation or sick leave used.

Without adequate records to support time worked and leave used, there is an increased risk for fraudulent or inaccurate overtime payments and payments for unused leave at termination. This was a prior report finding.

We recommend the Board implement procedures to ensure all employees who are eligible for overtime or expect payment of unused leave at termination maintain adequate documentation to support forty hours of work each week.

Board's Response: The Board agrees that procedures to ensure adequate documentation of all employee records to support time worked and leave used are necessary. Electronic timesheets have been implemented for the two employees of the Board to document hours of work and hours of vacation or sick leave used for each bi-weekly payroll period. This became effective February 12, 2007.

NEBRASKA REAL PROPERTY APPRAISER BOARD

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Receipts

Good internal control requires a plan of organization, procedures, and records designed to safeguard assets and ensure all monies collected are properly deposited to the Board's fund.

Neb. Rev. Stat. Section 84-710 R.R.S. 1999 states, "It shall be unlawful for any executive department, state institution, board, or officer acting under or by virtue of any statute or authority of the state, including the State Racing Commission, 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." Neb. Rev. Stat. Section 77-2703 R.S.Supp., 2006 states sales tax shall be imposed upon the gross receipts from all sales of tangible personal property sold in the State.

During our examination of the Board's procedures for issuing pocket cards for licenses and certificates, we noted the following:

- A physical count and reconciliation of unused pocket cards to the records of pocket cards issued was not performed. As a result, we could not determine all pocket cards and the related fees collected were accounted for.
- The 2005 unused pocket cards and carbon copies of the issued pocket cards had been destroyed.
- Pocket card numbers issued were not included on the deposit document.
- No employee reconciled the deposit documents prepared to the NIS General Ledger to ensure the deposit posted properly to the Board.
- Sales tax was not charged on the sale of books and mailing labels as required by statute.

During our examination of 25 pocket cards issued during the period, we noted the following:

- The fee charged and collected for two pocket cards was \$25 more than was owed. Additional testing noted four more pocket cards on which the fee collected was \$25 more than was owed.
- Two pocket cards issued indicated a different fee amount on the card than the amount actually collected. The amount collected appeared to be the correct amount.

NEBRASKA REAL PROPERTY APPRAISER BOARD

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Receipts (Concluded)

- The fee from two pocket cards was deposited into an incorrect NIS account.

During our examination of ten miscellaneous collections other than pocket cards, we noted the following:

- Eight could not be traced to supporting documentation. Therefore, we could not determine the correct fee was charged.
- Five were not deposited in a timely manner as required by statute.
- Three were deposited into an incorrect NIS account.

As a result, there is an increased risk of loss or misuse of State funds.

We recommend the Board review their receipting procedures and ensure:

- All unused pocket cards are reconciled and accounted for.
- Unused pocket cards and the carbon copies of the issued pocket cards are maintained as required by the Board's records management schedule.
- Pocket card numbers issued are included on the deposit document.
- Deposit documents are reconciled to the general ledger.
- Sales tax is collected on the sale of all personal property.
- The correct fee is collected and any overpayments are refunded.
- The actual amount paid is recorded on the pocket cards.
- Deposits are recorded to the correct NIS account.
- Documentation is maintained for all miscellaneous collections to support the fees charged.
- Collections are deposited in a timely manner.

Board's Response: The Board agrees that procedures and records designed to safeguard assets and ensure all monies collected are properly deposited to the correct funds. The current Director has trained the Staff Assistant to accurately account for, reconcile, and maintain all pocket cards in compliance with the Board's records management schedule. The current Director has implemented a receipting procedure for the collection of all fees and monies, segregation of duties for all deposits, and documentation as proof of all transactions.

NEBRASKA REAL PROPERTY APPRAISER BOARD

COMMENTS AND RECOMMENDATIONS

(Continued)

4. Fees Charged

Neb. Rev. Stat. Section 76-2241(1) R.S.Supp., 2006 states “The board shall charge and collect appropriate fees for its services under the Real Property Appraiser Act as follows: An application fee of one hundred fifty dollars.”

We noted the Board approved charges in their meetings; however, the 2007 charge of \$100 for a registered application did not agree with the statutory amount. All other fees charged were within the statutory limits.

As a result, the Board was not in compliance with State statute.

We recommend the Board implement procedures to ensure all fees charged are within statutory limits.

Board’s Response: The Board and current Director has implemented procedures to ensure all fees charged are within the statutory limits.

5. Late Fees

The Nebraska Constitution Article VII, Section 5 (1), states “. . . all fines, penalties, and license money arising under the general laws of the state . . . shall belong and be paid over to the counties respectively where the same may be levied or imposed . . . All such fines, penalties, and license money shall be appropriated exclusively to the use and support of the common schools in the respective subdivisions where the same may accrue . . .” Neb. Rev. Stat. Section 76-2241 R.S.Supp., 2006 allows the Board to charge a late renewal fee of \$25 per month or portion of a month the fee is late and deposit the late fee in the Real Property Appraiser Board Cash Fund.

During our examination of the receipts, we noted the Board charged a \$25 per month late fee for renewals not received by November 30th, and deposited the fee into the Board’s cash fund. For the period tested, the Board collected \$7,650 in late fees.

There is a conflict between the Board’s statute and the Nebraska Constitution. When penalties are deposited into the Board’s fund as provided by State statute, the monies are not being distributed as required by the Nebraska Constitution.

We recommend the Board request a legal opinion from the Attorney General requesting guidance for the appropriate fund to deposit the late fee. We also recommend the Board work with the Legislature to resolve the apparent conflict between State statutes and the Nebraska Constitution.

NEBRASKA REAL PROPERTY APPRAISER BOARD

COMMENTS AND RECOMMENDATIONS

(Continued)

5. **Late Fees** (Concluded)

Board's Response: The Board acknowledges the apparent conflict between State Statute and the Nebraska Constitution. The Board will explore the appropriate action necessary.

6. **Excessive Fund Balance**

Neb. Rev. Stat. Section 76-2226 R.S.Supp., 2006 created the Real Property Appraiser Fund and states "The fund shall include a sufficient cash fund balance as determined by the board." Good fiscal policy requires a review of fees charged for services to ensure the appropriateness of the fees charged in relation to the costs of the Board.

We noted the Board's cash fund balance at June 30, 2006, was \$393,319. This balance was almost two times the total expenditures for the fiscal year. We also noted the Board has not set a policy or determined the amount of fund balance that should be maintained.

	<u>June 30, 2002</u>	<u>June 30, 2003</u>	<u>June 30, 2004</u>	<u>June 30, 2005</u>	<u>June 30, 2006</u>
Fund Balance	\$ 287,945	\$ 328,928	\$ 387,192	\$ 401,235	\$ 393,319

Without a fund balance policy, the Board may be charging higher fees than are required to cover the Board's cost of operations. This was a prior report finding.

We recommend the Board annually review all licensing fees and make adjustments to the fees as necessary. We also recommend the Board implement a policy regarding the amount of fund balance that should be maintained.

Board's Response: The Board acknowledges the fund balance. The Board sets annual renewal fees in August of each year. The Board will consciously review all credentialing fees and make adjustments to ensure the appropriateness of the fees charged are in balance with the expenditures. This Board will also take into consideration the new AQB criteria changes for all credentials and regulations. The direction and impact of this substantial implementation and adoption of the new procedures will not be immediate. The excessive fund balance may be necessary to maintain our commitment to the real property appraisers and users of our appraisers in Nebraska.

7. **Liability Accounts**

Sound accounting practice and good internal control requires a regular review of liability account deposits and payments to ensure fees collected and due to other parties are correctly recorded.

NEBRASKA REAL PROPERTY APPRAISER BOARD

COMMENTS AND RECOMMENDATIONS

(Continued)

7. Liability Accounts (Concluded)

During our examination of the Board's liability account activity, we noted the following:

- The Board received approximately \$7,866 during the period the Board should have collected sales tax on. The Board recorded only \$2 in sales tax collections in the Sales Tax liability account during this same period.
- The Board remitted \$230 more in sales tax collections to the Nebraska Department of Revenue than was recorded as collected in the liability account. This resulted in a negative balance of \$76 in the Sales Tax liability account at February 9, 2007.
- The National Registry Fees liability account had a negative balance of \$1,600 at February 2007. This resulted from more being remitted to the Federal Government than was recorded as being collected.
- The Due to Fund liability account had a balance of \$241 at February 9, 2007, and only \$10 of activity during the examination period. The Board did not know what the remaining balance consisted of or what parties the money was due to.

Without a regular review of the liability collections and payments, there is an increased risk of loss or misuse of State funds. This was a prior report finding.

We recommend the Board implement procedures to ensure receipts due to other entities are properly recorded and paid out. We further recommend the Board review all liability accounts recorded on NIS and make any necessary correcting entries.

Board's Response: The Board agrees that sound accounting practices are required for proper recording of all receipts. The current Director has implemented procedures for the National Registry fees liability account. In addition, the Board has implemented procedures to review all balances for all liability accounts recorded in NIS and will make the appropriate journal entries to correct all errors as recorded.

8. Capital Assets

Neb. Rev. Stat. Section 81-1118.02 R.R.S. 1999 states, "(1) Each executive, department, commission, or other state agency . . . shall annually make or cause to be made an inventory of all property, including furniture and equipment, belonging to the State of Nebraska and in the possession, custody, or control of any executive, department, commission, or other state agency. (3) Each such executive, department, commission, or other state agency shall indelibly tag, mark,

NEBRASKA REAL PROPERTY APPRAISER BOARD

COMMENTS AND RECOMMENDATIONS

(Continued)

8. Capital Assets (Concluded)

or stamp all such property belonging to the State of Nebraska, with the following: Property of the State of Nebraska.” Good internal control requires an adequate segregation of duties over capital assets to ensure no one individual is in a position to both perpetrate and conceal errors or irregularities. Good internal control also requires a plan of organization, procedures, and records designed to safeguard assets.

During our examination of the Board’s capital asset activity, we noted the following:

- One individual was responsible for maintaining all capital asset records. This individual was responsible for adding items to the capital asset records, preparing Surplus Property Notification forms, initiating the disposal of assets, and maintaining the capital asset records.
- The Board did not have a capitalization policy defining when a purchase of equipment should be capitalized and included in the Board’s capital asset records.
- Four of the five assets on the Board’s capital asset record could not be traced to the physical asset in the Board’s office.
- There were five assets in the Board’s office that were not tagged as property of the State of Nebraska and were not listed on the Board’s NIS capital asset record.
- There was no documentation on file to support the retirement of four capital assets.
- There was no documentation on file to indicate an annual physical inventory of the Board’s capital assets was performed.

Without adequate procedures to ensure capital assets are properly recorded, there is an increased risk of loss or misuse of State assets.

We recommend the Board implement procedures to ensure capital assets are adequately controlled, correctly recorded, and documented. In addition, we recommend the Board establish a capitalization policy and perform an annual physical inventory of their capital assets.

Board’s Response: The Board adopted a Fixed Assets Policy March 20, 2007, to ensure adequate control, record, and documentation of all capital assets under \$1500. The Board will implement an annual physical inventory of all capital assets.

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Auditor of Public Accounts



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NEBRASKA REAL PROPERTY APPRAISER BOARD

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Real Property Appraiser Board
Lincoln, Nebraska

We have examined the accompanying schedules of revenues, expenditures, and changes in fund balance of the Nebraska Real Property Appraiser Board (Board) for the fiscal year ended June 30, 2006, and the period July 1, 2006, through February 9, 2007. The Board's management is responsible for the schedules of revenues, expenditures, and changes in fund balance. 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 schedules 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.

In our opinion, the schedules referred to above present, in all material respects, the revenues, expenditures, and changes in fund balance of the Nebraska Real Property Appraiser Board for the fiscal year ended June 30, 2006, and the period July 1, 2006, through February 9, 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 April 4, 2007, on our consideration of the Nebraska Real Property Appraiser Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, 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 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

April 4, 2007

NEBRASKA REAL PROPERTY APPRAISER BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2006

	Real Property Appraiser Licensing Fund 25310
REVENUES:	
Sales & Charges	\$ 183,125
Miscellaneous	20,556
TOTAL REVENUES	203,681
EXPENDITURES:	
Personal Services	100,237
Operating	95,238
Travel	16,851
TOTAL EXPENDITURES	212,326
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,645)
OTHER FINANCING SOURCES:	
Sales of Assets	729
TOTAL OTHER FINANCING SOURCES	729
Net Change in Fund Balance	(7,916)
FUND BALANCE, JULY 1, 2005	401,235
FUND BALANCE, JUNE 30, 2006	\$ 393,319
FUND BALANCE CONSISTS OF:	
General Cash	\$ 392,059
NSF Items	200
Accounts Receivable Invoiced	25
Tax Refunds Payable	76
Due to Fund	(241)
Due to Government	1,200
TOTAL FUND BALANCE	\$ 393,319

The accompanying notes are an integral part of the schedule.

NEBRASKA REAL PROPERTY APPRAISER BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Period July 1, 2006, Through February 9, 2007

	Real Property Appraiser Licensing Fund 25310
REVENUES:	
Intergovernmental	\$ 14,256
Sales & Charges	198,744
Miscellaneous	11,613
TOTAL REVENUES	224,613
EXPENDITURES:	
Personal Services	69,767
Operating	89,544
Travel	7,764
TOTAL EXPENDITURES	167,075
Excess of Revenues Over Expenditures	57,538
Net Change in Fund Balance	57,538
FUND BALANCE, JULY 1, 2006	393,319
FUND BALANCE, FEBRUARY 9, 2007	\$ 450,857
FUND BALANCE CONSISTS OF:	
General Cash	\$ 449,072
NSF Items	350
Tax Refunds Payable	76
Due to Fund	(241)
Due to Government	1,600
TOTAL FUND BALANCE	\$ 450,857

The accompanying notes are an integral part of the schedule.

NEBRASKA REAL PROPERTY APPRAISER BOARD

NOTES TO THE SCHEDULES

For the Fiscal Year Ended June 30, 2006,
and the Period July 1, 2006, through February 9, 2007

1. Criteria

The accounting policies of the Nebraska Real Property Appraiser Board (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., 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.”

The Nebraska Information System (NIS) is the official accounting system prescribed by DAS for the State of Nebraska. Policies and procedures are detailed in the Nebraska State Accounting Manual published by DAS – Accounting Division and available to the public. The financial information used to prepare the schedules 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, 2006, and February 9, 2007, includes only those payables posted to NIS before June 30, 2006 and February 9, 2007, and not yet paid as of that date. The amount recorded as expenditures as of June 30, 2006, and February 9, 2007, **does not** include amounts for goods and services received before June 30, 2006, and February 9, 2007, which had not been posted to NIS as of June 30, 2006, and February 9, 2007.

NIS also records other liabilities in accounts titled Tax Refunds Payable, Due to Fund, and Due to Government for the Board. The assets in these funds are being held by the State as an agent and will be used to pay those liabilities to individuals, private organizations, other governments, and/or other funds. The recording of those liabilities reduces the fund balance/equity. For further information of the activity recorded to those accounts for the fiscal year ended June 30, 2006, and the period July 1, 2006, through February 9, 2007, see Note 5.

The Board had no accounts receivable at June 30, 2006, and February 9, 2007. The NIS system does not include liabilities for accrued payroll and compensated absences.

NEBRASKA REAL PROPERTY APPRAISER BOARD

NOTES TO THE SCHEDULES

(Continued)

1. Criteria (Continued)

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

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

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

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

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 and late renewal fees.

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.

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 receivable accounts. Accounts receivable are recorded as an increase to revenues and an increase to fund balance on the schedule. 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. Other liabilities recorded on NIS for the Board's fund at June 30, 2006, and February 9, 2007, included Tax Refunds Payable, Due to Fund, and Due to Government. The activity of these accounts are not recorded on

NEBRASKA REAL PROPERTY APPRAISER BOARD

NOTES TO THE SCHEDULES

(Continued)

1. Criteria (Concluded)

the Schedules of Revenues, Expenditures, and Changes in Fund Balance as they are not recorded through revenue and expenditure accounts. The activity processed on NIS through these accounts is summarized in Note 5.

2. State Agency

The Nebraska Real Property Appraiser 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 schedules include all funds of the Board.

The Nebraska Real Property Appraiser Board is part of the primary government for the State of Nebraska.

3. General Cash

General cash accounts are under the control of the State Treasurer or other administrative bodies as determined by law. All cash deposited with the State Treasurer is initially maintained in a pooled cash account. On a daily basis, the State Treasurer invests cash not needed for current operations with the State's Investment Council that maintains an operating investment pool for such investments. Interest earned on those investments is allocated to funds based on their percentage of the investment pool.

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 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 the asset's life is not capitalized.

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

NEBRASKA REAL PROPERTY APPRAISER BOARD

NOTES TO THE SCHEDULES

(Continued)

4. Capital Assets (Concluded)

Capital asset activity of the Board for the period July 1, 2005, through February 9, 2007, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets				
Equipment	\$ 8,963	\$ -	\$ 4,389	\$ 4,574
Less accumulated depreciation for:				
Equipment				4,574
Total capital assets, net of depreciation				\$ -

5. Changes in Due to Government

Fund	Balance July 1, 2005	In	Out	Balance June 30, 2006
Real Property Appraiser Cash Fund 25310	\$ (1,100)	\$ 16,550	\$ 16,650	\$ (1,200)

Fund	Balance July 1, 2006	In	Out	Balance Feb. 9, 2007
Real Property Appraiser Cash Fund 25310	\$ (1,200)	\$ 15,625	\$ 16,025	\$ (1,600)

The activity in this account is the collection of the \$25 Federal Registry Fee per license and the payment of the fees to the Appraisal Subcommittee.

6. Reconciliation of Bank Records to the Nebraska Information System

Through their bank reconciliation procedures, DAS State Accounting Division (State Accounting) has identified a large unknown statewide variance between the State Treasurer's bank statements and the State's balances in the general ledger. This unknown variance indicates the bank records are short as compared to the accounting records. Some adjustments to the accounting records may be needed and may affect the fund balances of the Board. At this time, it has not been determined how or when adjustments to the accounting records might be made. State Accounting is unable to determine the affect of such adjustment, if any, on the Board's balances; however, State Accounting believes it will not have a material impact on the Board's operations.

STATE OF NEBRASKA
Auditor of Public Accounts



Mike Foley
State Auditor
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NEBRASKA REAL PROPERTY APPRAISER BOARD
**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN EXAMINATION OF THE
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Nebraska Real Property Appraiser Board
Lincoln, Nebraska

We have examined the accompanying schedules of revenues, expenditures, and changes in fund balance of the Nebraska Real Property Appraiser Board for the fiscal year ended June 30, 2006, and the period July 1, 2006, through February 9, 2007, and have issued our report thereon dated April 4, 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 Real Property Appraiser Board's internal control over financial reporting in order to determine our procedures for the purpose of expressing our opinion on the schedules of revenues, expenditures, and changes in fund balance, 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 Real Property Appraiser 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 1 (Payroll).

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 schedules 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 a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nebraska Real Property Appraiser Board's schedules of revenues, expenditures, and changes in fund balance, are 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 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 Real Property Appraiser Board in the Comments Section of this report as Comment Number 2 (Timesheets), Comment Number 3 (Receipts), Comment Number 4 (Fees Charged), Comment Number 5 (Late Fees), Comment Number 6 (Excessive Fund Balance), Comment Number 7 (Liability Accounts), and Comment Number 8 (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. Channer CPA in black ink.

Assistant Deputy Auditor

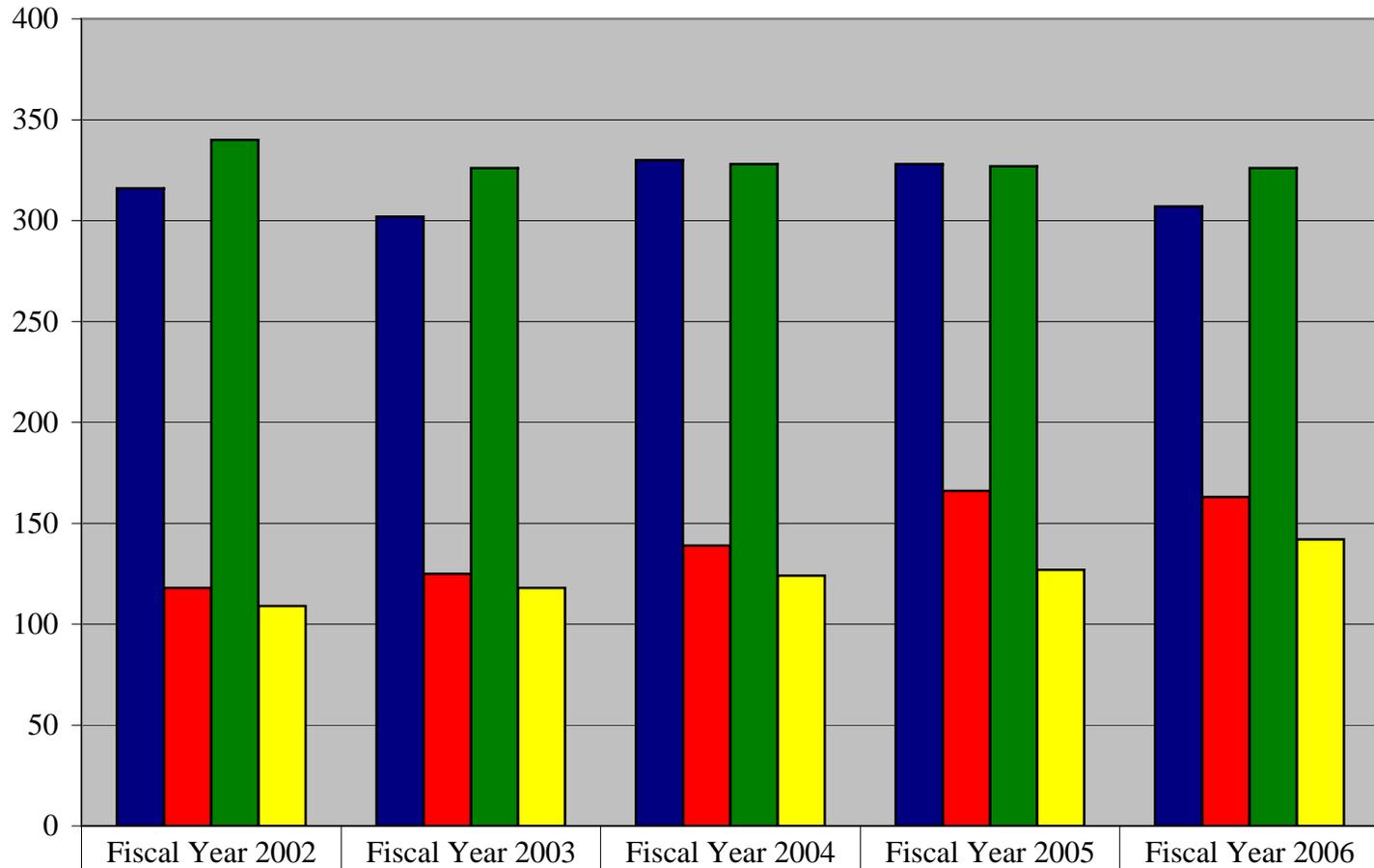
April 4, 2007

NEBRASKA REAL PROPERTY APPRAISER BOARD

STATISTICAL SECTION

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

NEBRASKA REAL ESTATE APPRAISER BOARD
REGISTRATIONS, LICENSES, AND CERTIFICATES ISSUED
 For the Fiscal Years Ended June 30, 2002, Through June 30, 2006



■ Registered	316	302	330	328	307
■ Licensed	118	125	139	166	163
■ Certified General	340	326	328	327	326
■ Certified Residential	109	118	124	127	142