



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

February 28, 2008

John A. Gale
Nebraska Secretary of State
State Capitol, Suite 2300
Lincoln, Nebraska 68509-4608

Dear Secretary Gale:

We have audited the basic financial statements of the State of Nebraska (the State) for the year ended June 30, 2007, and have issued our report thereon dated December 28, 2007. We have also audited the State's compliance with requirements applicable to major federal award programs and have issued our report thereon dated February 13, 2008. In planning and performing our audit, we considered the State's internal controls in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements of the State and on the State's compliance with requirements applicable to major programs, and to report on internal control in accordance with the federal Office of Management and Budget (OMB) Circular A-133 (the Single Audit) and not to provide assurance on internal control. We have not considered internal control since the date of our report.

In connection with our audit described above, we noted certain internal control or compliance matters related to the activities of the Nebraska Secretary of State (the Agency) or other operational matters that are presented below for your consideration. These comments and recommendations, which have been discussed with the appropriate members of the Agency's management, are intended to improve internal control or result in other operating efficiencies.

Our consideration of internal control included a review of prior year comments and recommendations. To the extent the situations that prompted the recommendations in the prior year still exist, they have been incorporated in the comments presented for the current year. All other prior year comments and recommendations (if applicable) have been satisfactorily resolved.

Draft copies of this letter were furnished to the Agency to provide them an opportunity to review the letter and to respond to the comments and recommendations included in this letter. All formal responses received have been incorporated into this letter. Responses have been objectively evaluated and recognized, as appropriate, in the letter. Responses that indicate corrective action has been taken were not verified at this time, but will be verified in the next audit.

The following is our comment and recommendation for the year ended June 30, 2007.

COMMENT RELATED TO THE SINGLE AUDIT

Finding #07-09-01

Program: CFDA 90.401 – Help America Vote Act Requirements Payments – Equipment

Federal Grantor Agency: Election Assistance Commission

Grant Number & Year: #BU9824588, April 2003

Criteria: OMB Circular A-133 requires the auditee to maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. Title 41 CFR 105-71.132 requires a State to use, manage, and dispose of equipment acquired under a grant by the State in accordance with State laws and procedures. Neb. Rev. Stat. Section 81-1118.02 R.R.S. 1999 requires each agency to annually make or cause to be made an inventory of all property belonging to the State of Nebraska. In addition, each state agency shall tag, mark, or stamp all such property belonging to the State of Nebraska.

Condition: The Agency did not have written policies and procedures established for a periodic inventory of equipment. The Agency did not have all equipment properly inventoried, tagged, and entered into the Nebraska Information System (NIS) at June 30, 2007.

Questioned Costs: None

Context: The Agency purchased approximately \$10 million in equipment during fiscal year 2006. The equipment was purchased by the State and distributed to the counties; however, the State retains title to the equipment. On June 6, 2007, the Agency contracted with an individual to inventory and tag the equipment; however, the project was not completed as of December 31, 2007.

Cause: The Agency was in the process of contracting the project to a third party.

Effect: There is an increased risk of loss or misuse of funds when equipment is not adequately controlled.

Recommendation: We recommend the Agency implement written policies and procedures to manage equipment including a periodic physical inventory. We further recommend the Agency continue efforts to ensure all equipment is properly tagged and recorded.

Management Response:

Corrective Action Plan: The Agency has completed the physical inventory and all equipment has been tagged. All corresponding information will be entered in NIS by February 29, 2008. Written policies and procedures for on-going annual equipment inventories of HAVA equipment will be completed by March 31, 2008, and will be included in the Agency's policy and procedure manual.

Contact: Suzie Hinzman, Deputy Secretary of State for Finance and Human Resources

Anticipated Completion Date: March 31, 2008

Our audit procedures are designed primarily on a test basis and, therefore, may not bring to light all weaknesses in policies or procedures that may exist. Our objective is, however, to use our knowledge of the Agency and its interaction with other State agencies and administrative departments gained during our work to make comments and suggestions that we hope will be useful to you.

This letter is intended solely for the information and use of the Agency, the Governor and State Legislature, others within the Agency, Federal awarding agencies, pass-through entities, and management of the State of Nebraska. However, this letter is a matter of public record and its distribution is not limited.

We appreciate and thank all of the Agency employees for the courtesy and cooperation extended to us during our audit.



Pat Reding
Assistant Deputy Auditor



Don Dunlap
Assistant Deputy Auditor