

**ATTESTATION REPORT
OF THE
NEBRASKA DEPARTMENT OF REVENUE
CHARITABLE GAMING INVESTIGATION
PETTY CASH FUND**

JULY 1, 2006 THROUGH JUNE 30, 2007

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Issued on February 13, 2008

NEBRASKA DEPARTMENT OF REVENUE
CHARITABLE GAMING INVESTIGATION PETTY CASH FUND

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NEBRASKA DEPARTMENT OF REVENUE
CHARITABLE GAMING INVESTIGATION PETTY CASH FUND

BACKGROUND

The Charitable Gaming Division of the Nebraska Department of Revenue (Department) was established in 1986 to regulate charitable gaming activities in Nebraska. The Division administers and regulates gaming activities including bingo; lottery by pickle card; nonprofit lotteries and raffles; county, city, and village lotteries (keno); and gift enterprises.

The Charitable Gaming Investigation Petty Cash Fund (Petty Cash Fund) was established by Neb. Rev. Stat. Section 9-1,105 R.R.S. 1997. The Petty Cash Fund is used to purchase information and evidence relating to charitable gaming violations, to pay charges associated with attending bingo events for the purpose of obtaining information relating to charitable gaming violations, and to pay charges associated with gathering information pertaining to investigations of charitable gaming violations.

MISSION STATEMENT

The Charitable Gaming Division's mission is to oversee all charitable gaming activities to ensure fair play, to collect the gaming revenues owed to the State, to prevent potential undesirable organizations or individuals from engaging in gaming activities, and to provide information to the public on what is required to conduct a legal gaming activity.

NEBRASKA DEPARTMENT OF REVENUE
CHARITABLE GAMING INVESTIGATION PETTY CASH FUND

EXIT CONFERENCE

An exit conference was held January 14, 2008, with the Department to discuss the results of our examination. Those in attendance for the Nebraska Department of Revenue - Charitable Gaming Investigation Petty Cash Fund were:

| <u>NAME</u> | <u>TITLE</u> |
|-------------|--------------------------------|
| Ron Gottula | Finance and Accounting Manager |

During our examination of the Nebraska Department of Revenue - Charitable Gaming Investigation Petty Cash Fund, we noted no matters involving the internal control over financial reporting or other operational matters.

Draft copies of this report were furnished to the Department to provide them an opportunity to review the report.

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



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NEBRASKA DEPARTMENT OF REVENUE CHARITABLE GAMING INVESTIGATION PETTY CASH FUND

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Department of Revenue - Charitable Gaming Investigation Petty Cash Fund
Lincoln, Nebraska

We have examined the accompanying schedule of receipts, disbursements, and changes in fund balance of the Nebraska Department of Revenue (Department) - Charitable Gaming Investigation Petty Cash Fund for the fiscal year ended June 30, 2007. The Department's management is responsible for the schedule of receipts, disbursements, 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 schedule of receipts, disbursements, 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 schedule referred to above presents, in all material respects, the receipts, disbursements, and changes in fund balance of the Nebraska Department of Revenue - Charitable Gaming Investigation Petty Cash Fund for the fiscal year ended June 30, 2007, based on the criteria set forth in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2008, on our consideration of the Nebraska Department of Revenue - Charitable Gaming Investigation Petty Cash Fund'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 management, the Nebraska Tax Commissioner, others within the Department, and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

February 6, 2008


Assistant Deputy Auditor

NEBRASKA DEPARTMENT OF REVENUE
 CHARITABLE GAMING INVESTIGATION PETTY CASH FUND
**SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN FUND BALANCE**
 For the Fiscal Year Ended June 30, 2007

| | |
|-----------------------------|------------------------|
| RECEIPTS | |
| Interest Income | \$ 15 |
| TOTAL RECEIPTS | <u>15</u> |
| DISBURSEMENTS | |
| Investigative Expenses | <u>39</u> |
| TOTAL DISBURSEMENTS | <u>39</u> |
| Net Change in Fund Balances | (24) |
| FUND BALANCE, JULY 1, 2006 | <u>2,853</u> |
| FUND BALANCE, JUNE 30, 2007 | <u><u>\$ 2,829</u></u> |
| FUND BALANCE CONSISTS OF: | |
| Cash in Bank | \$ 2,197 |
| Investigators Cash on Hand | <u>632</u> |
| TOTAL FUND BALANCE | <u><u>\$ 2,829</u></u> |

The accompanying notes are an integral part of the schedule.

NEBRASKA DEPARTMENT OF REVENUE
CHARITABLE GAMING INVESTIGATION PETTY CASH FUND

NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2007

1. Criteria

The accounting policies of the Nebraska Department of Revenue (Department) - Charitable Gaming Investigation Petty Cash Fund (Fund) are on the cash receipts and disbursements basis of accounting.

2. Reporting Entity

The Charitable Gaming Investigation Petty Cash Fund is part of the Nebraska Department of Revenue, a State agency established under and governed by the laws of the State of Nebraska. As such, the Fund is exempt from State and Federal income taxes. The schedule includes only the Fund of the Charitable Gaming Division and is not intended to present fairly the fund balances of the Department or the receipts and disbursements of the Department as a whole.

The Fund is part of the primary government for the State of Nebraska.

3. Measurement Focus, Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The accounting records of the Nebraska Department of Revenue - Charitable Gaming Investigation Petty Cash Fund are maintained and the schedule was reported on the basis of cash receipts and disbursements. As such, the measurement focus only includes those assets and fund balances arising from cash transactions. Under this method, revenues are recognized when received and expenditures are recognized when paid. This presentation differs from governmental generally accepted accounting principles (GAAP), which requires the use of the modified accrual basis of accounting and the current financial resources measurement focus. Under this measurement focus and basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, regardless of the timing of related cash flows.

4. Cash in Bank

The Nebraska Department of Revenue - Charitable Gaming Investigation Petty Cash Fund had deposits in a checking and savings account. The carrying amount of Cash in the Bank was \$2,197 and the bank balance as of June 30, 2007, was \$2,197. All funds were insured by the National Credit Union Administration (NCUA), a Federal agency.



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NEBRASKA DEPARTMENT OF REVENUE
CHARITABLE GAMING INVESTIGATION PETTY CASH FUND
**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN EXAMINATION OF
THE SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
BALANCE PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Nebraska Department of Revenue - Charitable Gaming Investigation Petty Cash Fund
Lincoln, Nebraska

We have examined the accompanying schedule of receipts, disbursements, and changes in fund balance of the Nebraska Department of Revenue - Charitable Gaming Investigation Petty Cash Fund as of and for the year ended June 30, 2007, and have issued our report thereon dated February 6, 2008. 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 Department of Revenue - Charitable Gaming Investigation Petty Cash Fund's internal control over financial reporting as a basis for designing our procedures for the purpose of expressing our opinion on the schedule of receipts, disbursements, and changes in fund balance, but not for the purpose of expressing an opinion on the effectiveness of the Nebraska Department of Revenue - Charitable Gaming Investigation Petty Cash Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Nebraska Department of Revenue - Charitable Gaming Investigation Petty Cash Fund'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 Department of Revenue - Charitable Gaming Investigation Petty Cash Fund'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 Department of Revenue - Charitable Gaming Investigation Petty Cash Fund's financial schedule that is more than inconsequential will not be prevented or detected by the Nebraska Department of Revenue - Charitable Gaming Investigation Petty Cash Fund'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 Department of Revenue - Charitable Gaming Investigation Petty Cash Fund'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 Department of Revenue - Charitable Gaming Investigation Petty Cash Fund'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*.

This report is intended solely for the information and use of management, the Nebraska Tax Commissioner, others within the Department, and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

February 6, 2008


Assistant Deputy Auditor