

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

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the Auditor of Public Accounts.**

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**Issued on March 18, 2008**

NEBRASKA LIBRARY COMMISSION

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# NEBRASKA LIBRARY COMMISSION

## BACKGROUND

The Nebraska Public Library Commission (Commission) was established by an act of the Legislature on March 27, 1901, and the office of the Commission was opened November 11, 1901. The Commission was charged to “encourage the establishment of libraries where none existed and the improvement of those already established.” In 1933, due to economic hardships, the Legislature passed a bill abolishing the Commission and establishing in its place the Nebraska Public Library and relocated it to the University of Nebraska-Lincoln. The University Librarian served as the director of the institution under the title of Public Library Commissioner. The Nebraska Public Library Commission was re-established by law in 1935. In 1952, the Commission was designated by the Library of Congress as the official distribution center for the Books for the Blind Program. In 1972, the Nebraska Public Library Commission assumed its present identity as the Nebraska Library Commission. The Commission has served as the State library administrative agency for Federal funds received under the Library Services and Technology Act.

The Commission promotes, develops, and coordinates library and information programs and services statewide. As the State library agency, the Commission serves as an advocate for the library and information service needs of Nebraskans. The Commission:

- makes rules and regulations to govern itself;
- appoints a director authorized to hire staff as needed;
- receives and disburses Federal funds;
- accepts and administers gifts;
- makes a biennial report to the Governor;
- provides leadership, technical help, and financial support for improvement of library and information services through the State’s libraries;
- develops, coordinates, and promotes specialized statewide library and information services; and
- provides information and library services to State government.

The Commission’s six members are appointed by the Governor to three-year terms, with members serving no more than two consecutive terms. Members generally are appointed from each of the State’s six library system areas. Commissioners meet every other month and are not paid, but are reimbursed for expenses. At June 30, 2007, the Commission employed 43 individuals.

# NEBRASKA LIBRARY COMMISSION

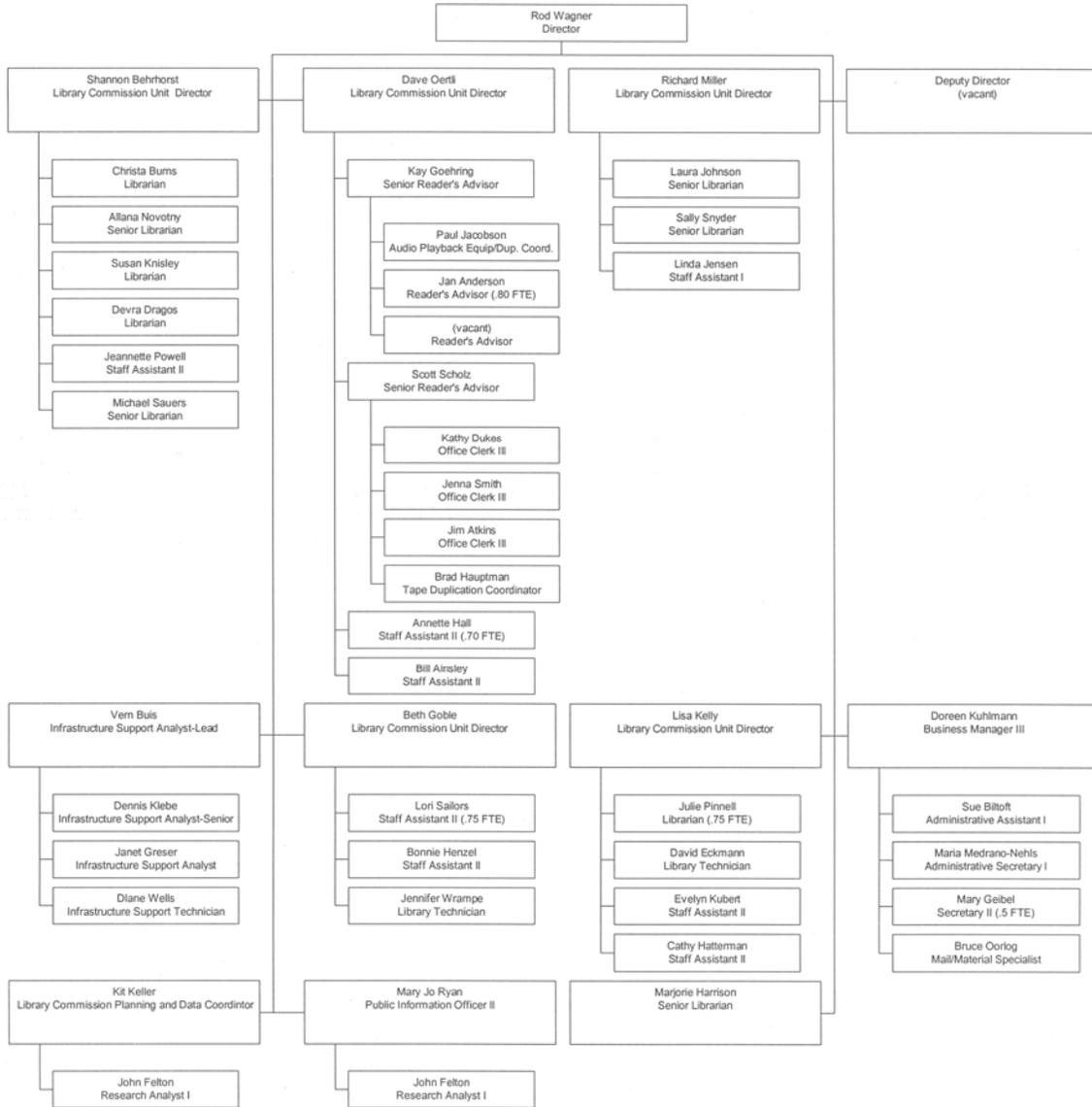
## MISSION STATEMENT

The mission of the Nebraska Library Commission is statewide promotion, development, and coordination of library and information services. As the State Library agency, the Commission is an advocate for the library and information service needs of all Nebraskans. In meeting its mission, the Nebraska Library Commission has four major goals:

- Goal 1: Nebraska library personnel will have the knowledge, skills, and abilities necessary to provide quality library and information services for all Nebraskans.
- Goal 2: All Nebraskans will have improved access to enhanced library and information services.
- Goal 3: Nebraska libraries will have appropriate technology to access and deliver online library and information service.
- Goal 4: Eligible Nebraskans will have access to Talking Book and Braille Services.

# NEBRASKA LIBRARY COMMISSION

## ORGANIZATIONAL CHART



NEBRASKA LIBRARY COMMISSION

**EXIT CONFERENCE**

An exit conference was held February 21, 2008, with the Commission to discuss the results of our examination. Those in attendance for the Nebraska Library Commission were:

<b>NAME</b>	<b>TITLE</b>
Rod Wagner	Director
John F. Dale	Commission Chairperson
Doreen Kuhlmann	Business Manager

## NEBRASKA LIBRARY COMMISSION

### SUMMARY OF COMMENTS

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

1. ***Segregation of Duties Over Revenues:*** The Commission did not have procedures to ensure two individuals opened the mail and performed a documented initial listing of monies received. There was no initial control over donated monies received for the Talking Book and Braille Services. One individual was able to prepare invoices and apply cash receipts without a review performed by another individual. The Commission only had two employees able to perform revenue processing on NIS. Additionally, no one independent from the processing of revenues performed a review of invoices, deposit documents, and/or reports generated through NIS to ensure all monies received were properly deposited.
2. ***Segregation of Duties Over Payroll:*** One employee of the Commission was able to perform all functions of payroll processing, including entering new employees, changing pay rates, entering hours worked and leave used, and reviewing the payroll register report. There was no independent review performed by another individual to ensure payroll was proper. Additionally, the Commission only had two employees able to perform payroll processing on NIS.
3. ***Segregation of Duties Over Capital Assets:*** One individual was able to perform all functions of the capital asset processing. The individual was able to add, initiate the deletion, and maintain the capital assets on NIS. This individual was also solely responsible for the annual physical inventory. There was not an independent review of the Additions and Retirements Report or integrity reports to ensure all items added and deleted were proper. Furthermore, the Commission maintains a separate catalog for books maintained by the Commission. We noted there was not a timely and complete physical inventory performed for the books and there was not a control to ensure all books purchased by the Commission were properly added to the catalog.

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. 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 LIBRARY COMMISSION

### COMMENTS AND RECOMMENDATIONS

#### 1. Segregation of Duties Over Revenues

Good internal control requires an adequate segregation of duties or compensating controls to ensure no one individual is able to both perpetrate and/or conceal errors or irregularities.

We noted the following regarding the controls over revenues of the Commission:

- The Commission did not have procedures to ensure two individuals open the mail and prepared a documented initial listing of monies received.
- Monies donated to the Talking Book and Braille Services went directly to the director of this division. There was not an initial control of donation monies received to ensure all monies received were properly deposited.
- One individual was able to prepare invoices and apply cash received. The invoices were not reviewed by another individual to ensure they were accurate and proper prior to mailing.
- There were only two employees of the Commission that were able to perform transactions on NIS. If one of the individuals were absent for an extended period of time this could make it difficult for the Commission to function properly.
- No one independent of the function of processing revenues reviewed invoices, the deposit documents, or reports generated on NIS to ensure all monies received were properly deposited.

Without an adequate segregation of duties there is an increased risk of loss or misuse of State funds. This was a prior year comment.

We recommend the Commission implement procedures to ensure monies received are properly deposited. We recommend the following:

1. Two individuals open the mail and prepare a documented initial listing of monies received.
2. Donation monies received follow the same processing procedures as all other monies received. Donation monies should be directly routed to accounting where an initial listing of monies can be performed.
3. All invoices be reviewed by another individual to ensure they are accurate and proper prior to mailing.
4. The Commission consider training an additional individual on NIS to ensure the Commission can properly function in the event one of the individuals that currently perform procedures was out for an extended period of time.

NEBRASKA LIBRARY COMMISSION

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**1. Segregation of Duties Over Revenues (Concluded)**

5. An individual independent from the processing of invoices and cash receipts periodically perform a documented review of deposit documents, invoices, and/or detailed reports, such as the general ledger detail report. We recommend the Commission either print and initial the reports reviewed or use a log documenting reports reviewed with the reviewer initialing the log. The actual report could then be kept electronically by the Commission for subsequent review.

*Commission's Response: The agency mail/material specialist will separate and deliver first class mail to administrative offices for opening by two staff members. A tape will be run for mail that includes checks. The tape and checks will be given to the administrative assistant for recording and deposit.*

*An additional staff member will be assigned to review invoices for accuracy and proper billing prior to mailing.*

*An additional staff member will be trained on NIS and the director will have NIS access for approval and posting of accounts receivable and payable transactions.*

*The director will review the monthly general ledger detail report and initial or indicate by a log entry review of the report or reports.*

**2. Segregation of Duties Over Payroll**

Good internal control requires an adequate segregation of duties or compensating controls to ensure no one individual is able to both perpetrate and/or conceal errors or irregularities.

The Commission had one employee who was able to perform all functions of payroll processing, including entering new employees, changing pay rates, entering hours worked and leave used, and reviewing the payroll register. There was no independent review of the payroll register to ensure the employees' pay and hours worked were accurate and to ensure payroll posted properly. Additionally, there were only two employees of the Commission that were able to perform payroll processing on NIS.

Without an adequate segregation of duties there is an increased risk of loss or misuse of State funds. This was a prior year comment.

NEBRASKA LIBRARY COMMISSION

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**2. Segregation of Duties Over Payroll (Concluded)**

We recommend the Commission implement procedures to ensure a proper segregation of duties over payroll processing. We recommend an individual independent of the payroll process perform a documented review of the detailed monthly payroll register. We recommend the Commission either print and initial the payroll register or use a log documenting the review of the report with the reviewer initialing the log. The actual report could then be kept electronically by the Commission for subsequent review. Additionally, we recommend the Commission consider training an additional individual on NIS to ensure the Commission can properly function in the event one of the individuals that currently perform procedures was out for an extended period of time.

*Commission's Response: The monthly payroll register along with documented pay changes will be reviewed by the director. An additional staff member will be trained to perform payroll transactions. Completion of this action will be affected by the Commission's transition from a monthly to bi-weekly payroll to be accomplished prior to the end of 2008.*

**3. Segregation of Duties Over Capital Assets**

Good internal control requires an adequate segregation of duties or compensating controls to ensure no one individual is able to both perpetrate and/or conceal errors or irregularities.

One individual was able to perform all functions of the capital asset processing for the Commission. The individual had the ability to add, initiate the deletion, and maintain the capital assets on NIS. This individual was also solely responsible for the completion of the annual physical inventory for the Commission. Furthermore, there was not an independent review of the Additions and Retirements Report or integrity reports to ensure all items added and deleted were proper.

The Commission also had a separate cataloging system for the books maintained by the Commission. We noted there was not a timely or complete inventory of the books performed. Additionally, there were no controls to ensure all books purchased by the Commission were properly added to the catalog.

Without an adequate segregation of duties there is an increased risk of loss or misuse of State assets. This was a prior year comment.

# NEBRASKA LIBRARY COMMISSION

## COMMENTS AND RECOMMENDATIONS

(Continued)

### 3. Segregation of Duties Over Capital Assets (Continued)

We recommend the Commission improve controls over capital assets by either having a periodic, independent management review of capital asset transactions, or train an individual independent of capital asset processing to review reports. The review should include a periodic, documented review of the Fixed Assets Additions and Retirements Report and the integrity reports on NIS. We recommend the Commission either print and initial the reports reviewed or use a log documenting reports reviewed with the reviewer initialing the log. The actual report could then be kept electronically by the Commission for subsequent review. We also recommend an individual independent of the capital assets process assist in the annual physical inventory and document the review performed. Furthermore, we recommend the Commission perform a complete physical inventory of library books on a timely basis, and implement procedures to ensure all books received are properly recorded on the catalog.

*Commission's Response: Monthly capital assets reports will be provided in paper or electronic form for the director's review.*

*The agency's mail/material specialist will be assigned to complete the annual physical inventory of capital assets.*

*The Library Commission responds to inventory needs of its library collection by maintaining fastidious records in the Commission's ILS (integrated library system), also referred to as Mandarin. These records are combined with an international consortial database of library holdings called WorldCat (maintained by the Online Computer Library Center). Accuracy of records is paramount as this database is the singular mechanism used for sharing items from library to library through interlibrary lending. When items are purchased or received from government agencies, they are checked either against the invoice or recorded in a record for that government agency, cataloged, and formally added to our collection. These items are monitored by Mandarin throughout the course of their ownership. When an item is checked out, it shows not being available and likewise when it is on the shelf, this status also is made known both to customers and to staff. Occasionally, an item is missing and the record is updated to indicate that change in status. When an item is withdrawn or removed permanently from the collection, paramount in the Commission's record keeping is removing this record along with the item from the collection. In short, Mandarin is the inventory system used by the Library Commission to manage and maintain material records. Reports can be run to indicate circulation for any duration of time or other queries of interest. Purchase records can easily be checked in the OPAC (online public access catalog) to show they have been properly added to the collection.*

NEBRASKA LIBRARY COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

3. **Segregation of Duties Over Capital Assets** (Concluded)

*Commission's Response, Concluded:*

*Traditional inventories require generating a "shelf list" from this inventory system (Mandarin) – which, if we were to do so, would generate a great deal of paper. At 33 items per page, this would result in approximately 7,000 pages. With this list, staff would literally go to the shelf and spend upwards of several years checking the call numbers against what is on the shelf and marking this on the paper. This is a conservative estimate of time because staff would need to balance this activity with primary job responsibilities. Because this is already being handled in Mandarin, we feel confident that items are being properly managed and maintained. Currently, three staff members are conducting an inventory of the Library of Congress collection which started in June of 2006 and is expected to be completed in the summer of 2008. The Commission has, for several years now, been at work inventorying the Nebraska State Documents collection, which represents the majority of the Commission's collection. This has been an ongoing process for at least eight years. To fully concentrate on an inventory project at the Library Commission, priority jobs involving working with customers, would suffer if this were a primary responsibility.*



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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### NEBRASKA LIBRARY COMMISSION

### INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Library Commission  
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Library Commission (Commission) for the fiscal year ended June 30, 2007. 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 Library 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 March 12, 2008, on our consideration of the Nebraska Library Commission'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 management, the Nebraska Library 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.

March 12, 2008

  
Assistant Deputy Auditor

NEBRASKA LIBRARY COMMISSION  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
For the Fiscal Year Ended June 30, 2007

	General Fund Fund 10000	Library Commission Cash Fund Fund 23400	Institute of Museums and Library Services Fund 43450	Library Commission Trust Fund Fund 68340	NEBASE Fund 73410	<b>Totals (Memorandum Only)</b>
<b>REVENUES:</b>						
Appropriations	\$ 3,672,148	\$ -	\$ -	\$ -	\$ -	\$ 3,672,148
Intergovernmental	-	-	1,492,786	-	-	1,492,786
Sales & Charges	-	44,217	-	-	-	44,217
Miscellaneous	24	31,953	-	9,402	-	41,379
<b>TOTAL REVENUES</b>	<b>3,672,172</b>	<b>76,170</b>	<b>1,492,786</b>	<b>9,402</b>	<b>-</b>	<b>5,250,530</b>
<b>EXPENDITURES:</b>						
Personal Services	1,825,681	68,399	329,840	-	-	2,223,920
Operating	457,843	24,278	230,888	-	-	713,009
Travel	24,040	10,416	36,619	-	-	71,075
Capital Outlay	102,538	-	8,379	978	-	111,895
Government Aid	1,262,046	9,447	895,962	-	-	2,167,455
<b>TOTAL EXPENDITURES</b>	<b>3,672,148</b>	<b>112,540</b>	<b>1,501,688</b>	<b>978</b>	<b>-</b>	<b>5,287,354</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	24	(36,370)	(8,902)	8,424	-	(36,824)
<b>OTHER FINANCING SOURCES (USES):</b>						
Sales of Assets	359	-	-	-	-	359
Adjustment to Fund Balance (Note 6)	-	-	-	-	(22,996)	(22,996)
Deposit to General Fund	(383)	-	-	-	-	(383)
Operating Transfers In	-	62,113	-	-	-	62,113
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(24)</b>	<b>62,113</b>	<b>-</b>	<b>-</b>	<b>(22,996)</b>	<b>39,093</b>
Net Change in Fund Balances	-	25,743	(8,902)	8,424	(22,996)	2,269
FUND BALANCES, JULY 1, 2006	-	347,367	125,752	60,217	-	533,336
FUND BALANCES, JUNE 30, 2007	<b>\$ -</b>	<b>\$ 373,110</b>	<b>\$ 116,850</b>	<b>\$ 68,641</b>	<b>\$ (22,996)</b>	<b>\$ 535,605</b>
<b>FUND BALANCES CONSIST OF:</b>						
General Cash	\$ -	\$ 370,511	\$ 113,282	\$ 68,641	\$ 480,373	\$ 1,032,807
Deposits with Vendors	-	2,599	-	-	-	2,599
Accounts Receivable Invoiced	-	-	-	-	9,864	9,864
Due to Vendors (Note 6)	-	-	3,568	-	(513,233)	(509,665)
<b>TOTAL FUND BALANCES</b>	<b>\$ -</b>	<b>\$ 373,110</b>	<b>\$ 116,850</b>	<b>\$ 68,641</b>	<b>\$ (22,996)</b>	<b>\$ 535,605</b>

The accompanying notes are an integral part of the schedule.

NEBRASKA LIBRARY COMMISSION

**NOTES TO THE SCHEDULE**

For the Fiscal Year Ended June 30, 2007

**1. Criteria**

The accounting policies of the Nebraska Library 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 revenues, expenditures, and changes in fund balances was obtained directly from the general ledger and fund balance information kept on NIS. As transactions occur, the agencies record the accounts receivables and accounts payable in the general ledger. 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 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.

Other liabilities (primarily in the Distributive Fund Type) are recorded in accounts titled Due to Fund and Due to Vendor for the Commission. 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, 2007, see Note 6.

The Commission had accounts receivable not included in the Schedule of \$234,085. The accounts receivable consists of grants receivable and invoicing of vendor billings (see Note 7 for further explanation). DAS did not require the Commission to record their receivables on the general ledger and these amounts are not reflected in revenues or fund balances on the Schedule. Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

NEBRASKA LIBRARY COMMISSION

**NOTES TO THE SCHEDULE**

(Continued)

**1. Criteria** (Continued)

The fund types established by the State that are used by the Commission are:

**10000 – General Fund** – accounts for activities funded by general tax dollars and related expenditures and transfers.

**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.

**40000 – Federal Funds** – account for the financial activities related to the receipt and disbursement of funds generated from the federal government as a result of grants and contracts. Expenditures must be made in accordance with applicable federal requirements.

**60000 – Trust Funds** – account for assets held by the State in a trustee capacity. Expenditures are made in accordance with the terms of the trust.

**70000 – Distributive Funds** – account for assets held by the State as an agent for individuals, private organizations, other governments, and/or other funds.

The major revenue account classifications established by State Accounting 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.

**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, reimbursement from non-governmental sources, operating donations, and operating grants from non-governmental sources.

NEBRASKA LIBRARY COMMISSION

**NOTES TO THE SCHEDULE**

(Continued)

**1. Criteria** (Concluded)

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.

**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.

**Government Aid** – Payment of Federal and/or State money to governmental subdivisions, State agencies, local health and welfare offices, individuals, etc., in furtherance of local activities and accomplishment of State programs.

Other significant accounting classifications and procedures established by State Accounting and used by the Commission include:

**Assets** – Resources owned or held by a government that has monetary value. Assets include cash accounts, deposits with vendors, and receivable accounts. Accounts receivable are recorded as an increase to revenues resulting in an increase to fund balance on the schedule. Cash accounts and deposits with vendors are also included in fund balance and are reported as recorded in the general ledger.

**Liabilities** – Legal obligations arising out of transactions in the past that must be liquidated, renewed, or refunded at some future date. Accounts payable transactions are recorded as expenditures resulting in a decrease to fund balance. Other liabilities recorded in the general ledger for the Commission's funds at June 30, 2007, included amounts recorded in Due to Fund and Due to Vendors. The activities of these accounts are not recorded through revenue and expenditure accounts on the Schedule of Revenues, Expenditures, and Changes in Fund Balances. The activity processed on the general ledger through these accounts is summarized in Note 6.

**Other Financing Sources** – Operating transfers and proceeds of fixed asset dispositions.

NEBRASKA LIBRARY COMMISSION

**NOTES TO THE SCHEDULE**

(Continued)

**2. Reporting Entity**

The Nebraska Library 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 Library Commission 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. 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.

**5. Capital Assets**

Capital assets include land, buildings, equipment, improvements to buildings, construction in progress, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Under State Accounting policies, expenditures for such capital assets are not capitalized as an asset in the funds used to acquire or construct them. Rather, costs of obtaining the capital assets are reflected as expenditures in the general ledger and are reported as such on the Schedule.

However, State Accounting does adjust such expenditures and reports the capital assets as assets for the State of Nebraska in the Comprehensive Annual Financial Report (CAFR). In addition, the Commission takes an annual inventory and accounts for all equipment that has a cost of \$300 or more at the date of acquisition in the State Accounting System.

For the CAFR, the State requires the Commission to value 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 \$5,000 or more at the date of acquisition and has an expected useful life of two or more years is capitalized. Depreciation expenses are reported in

NEBRASKA LIBRARY COMMISSION

**NOTES TO THE SCHEDULE**  
(Continued)

**5. Capital Assets (Concluded)**

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 in the CAFR using the straight-line method with estimated useful lives of three to ten years.

Capital asset activity of the Commission recorded in the State Accounting System for the fiscal year ended June 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets				
Equipment	\$ 651,716	\$ 34,490	\$ 10,363	\$ 675,843
Less accumulated depreciation for Equipment				<u>592,530</u>
Total capital assets, net of depreciation				<u>\$ 83,313</u>

**6. Changes in Due to Vendor**

<u>Fund</u>	<u>Balance July 1, 2006</u>	<u>In</u>	<u>Out</u>	<u>Adjustment To Fund Balance</u>	<u>Balance June 30, 2007</u>
NEBASE Fund 73410	\$ 519,225	\$ 2,375,973	\$ 2,404,961	\$ 22,996	\$ 513,233

Due to Vendors consists of accounts payable and advanced payments. The accounts payable are amounts received from entities for payment of subscription services still due to be paid to the vendor. The advanced payments consist of monies received from entities on account; the monies on account are then used to pay subscription services as the expenses are incurred and due. The Commission keeps a separate manual subsidiary ledger of entity balances. The Commission's subsidiary ledger had \$22,996 in excess liability compared to NIS. The difference is due to a transfer made from the distributive fund to the cash fund in excess of monies available. The schedule was adjusted to reflect the liability amount on the manual subsidiary ledger.

NEBRASKA LIBRARY COMMISSION

**NOTES TO THE SCHEDULE**

(Continued)

**7. Distributive Activity**

NEBASE is a consortium of Nebraska libraries, media centers, and cooperative processing centers, which is managed and organized by the Commission. NEBASE provides training, technical information and administrative services to member libraries. NEBASE contracts with On-Line Computer Library Center, Inc. (OCLC) in Dublin, Ohio. The Commission's distributive activity for the audit period relates to a statewide database of materials in public, academic, school, and special libraries in the State. These materials are accessible to libraries through (OCLC), either directly or through system resource libraries. The OCLC first bills the Commission for these services and the Commission then bills the individual users and remits the users' payments to OCLC.

**8. Reconciliation of Bank Records to the State's General Ledger**

Through their bank reconciliation procedures, 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 Commission. 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 Commission's balances; however, State Accounting believes it will not have a material impact on the Commission's operations.



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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NEBRASKA LIBRARY COMMISSION  
**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 Library Commission  
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Library Commission as of and for the year ended June 30, 2007, and have issued our report thereon dated March 12, 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 Library 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 revenues, expenditures, and changes in fund balances, but not for the purpose of expressing an opinion on the effectiveness of the Nebraska Library Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Nebraska Library Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 Library 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 Library Commission's financial schedule that is more than inconsequential will not be prevented or detected by the Nebraska Library Commission's internal control. We consider the following deficiencies described in the Comments Section of the report to be significant deficiencies in internal control over financial reporting: Comment Number 1 (Segregation of Duties Over Revenues), Comment Number 2 (Segregation of Duties Over Payroll), and Comment Number 3 (Segregation of Duties Over Capital Assets).

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 Library Commission's internal control.

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nebraska Library Commission's financial schedule 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 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*.

The Nebraska Library Commission's written response to the findings identified in our examination are described in the Comments Section of the report. We did not examine the Nebraska Library 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 Library 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.

March 12, 2008

  
Assistant Deputy Auditor

## NEBRASKA LIBRARY COMMISSION

### 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 LIBRARY COMMISSION  
**GRANTS FUNDED THROUGH THE NEBRASKA LIBRARY COMMISSION**  
For the Fiscal Years Ended June 30, 2003, 2004, 2005, 2006, and 2007

	Fiscal Year				
	2003	2004	2005	2006	2007
Children's Grants for Excellence	\$ 34,535	\$ 43,907	\$ 62,773	\$ 43,026	\$ 68,728
Children's Program: Leading to Reading	900	-	-	-	-
Collaborative Summer Library Program	7,358	6,081	5,308	4,772	5,995
Continuing Education and Training Grants	56,140	39,556	52,747	47,212	39,425
Digitization Grants and Projects	-	-	39,730	20,040	-
Electronic Information Resources	351,219	424,409	387,044	511,824	416,112
Gates Computer Grants	8,209	-	-	-	-
Interlibrary Loan (Lender Compensation)	142,003	167,876	207,431	231,451	233,143
Library Cataloging Software (OCLC CatExpress)	6,748	-	-	-	-
LSCA Construction Grant	10,175	-	-	-	-
LSTA Grants	280,196	108,370	82,469	126,411	246,010
Master of Library Science and Library Technical Assistant Scholarships	4,000	10,000	11,569	32,686	74,113
Motion Picture Licensing for Public Library	-	-	15,995	15,995	15,995
Nebraska Center for the Book	10,000	10,000	20,000	-	8,907
Nebraska Community Foundation	7,996	-	-	-	-
Nebraska Library Association Grant	2,051	2,100	2,100	5,196	14,529
Nebraska Library Association Trustee Grant	-	-	10,000	-	-
Public Library Statistical Reporting Software	3,750	3,750	3,750	4,125	25,245
Regional Library System Funding	624,589	545,215	670,598	599,542	656,820
State Aid to Public Libraries	367,855	323,025	351,493	353,690	374,717
State Depository Libraries Cataloging Assistance	-	3,500	-	-	-
State Technology Grants	42,439	-	33,000	1,303	-
Univ. of Nebr.-Omaha - Library Education Options	-	-	3,000	-	-
Utah State Library (Braille Services)	4,140	4,200	3,900	3,900	4,160
Library Recruitment Grant - Hollywood Librarian	-	-	-	20,980	-
Nebr. For Public Television - Plain Poetry	-	-	-	3,235	-
Nebraska Humanities Council - Prime Time Reading	-	-	-	12,000	-
Univ. of NE Med Ctr - Consumer Health Symposium	-	-	-	17,880	-
Lincoln and Omaha PL - Marketing Metro Libraries	-	-	-	17,663	17,000
Disaster Planning Workshop Grants	-	-	-	8,205	-
National Federation of the Blind	-	-	-	250	-
Univ. of NE Press - Marketing Great Books of the Plains	-	-	-	9,000	-
FOLUSA - Friends of the Library USA	-	-	-	-	10,313
Gates Grants to Libraries	-	-	-	-	9,447
Storm Damage Grants to Libraries	-	-	-	-	3,818
	<u>\$1,964,303</u>	<u>\$1,691,989</u>	<u>\$1,962,907</u>	<u>\$2,090,386</u>	<u>\$2,224,477</u>

Note: This represents both State and Federal aid.