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NEBRASKA ETHANOL BOARD EVALUATION SUMMARY JULY 1, 2005 THROUGH JANUARY 31, 2008

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Issued on June 2, 2008

Nebraska Ethanol Board
Evaluation Summary

The Nebraska Auditor of Public Accounts (APA) evaluated the accounting records and other selected areas of the Nebraska Ethanol Board (Board). This evaluation was conducted in accordance with the APA's authority under Neb. Rev. Stat. Section 84-304 R.S.Supp., 2007.

APA Procedures:

Our evaluation included the following procedures:

1. Testing as necessary to determine the current disposition of prior findings.
2. Application of certain tests and procedures in the evaluation of accounting transactions of the Board. This included testing of expenditures to determine they were valid and necessary, adequately documented, and in accordance with State statute.
3. Other testing as deemed necessary.

Evaluation Results:

1. Vehicle Expenditures

Neb. Rev. Stat. Section 81-1176 R.R.S. 1999 states that mileage is calculated based on the most direct route of travel.

Neb. Rev. Stat. Section 81-1025(1) R.R.S. 1999 states "Each operator of a state-owned motor vehicle ... shall report the points between which the motor vehicle traveled each time used, the odometer readings at such points, the time of arrival and departure, the necessity and purpose for such travel, the license number of such motor vehicle, and the department to which such motor vehicle belongs."

We noted the following:

- 7 of 15 trips tested for the permanently assigned vehicle and 1 privately leased vehicle did not have reasonable mileage based on the most direct route of travel. A total of 51 excess miles were reported by the drivers, with the largest variance in mileage being 16 miles for one trip.
- 6 of the 7 trips with excess mileage indicated the travel was in the "area" of a city, but did not specify the exact points of travel. After allowing an additional 10 miles for these trips, none of the mileages appear excessive, but the vehicle logs were not complete according to statute.

Without proper procedures in place to ensure mileage is reasonable, there is an increased risk of loss or misuse of State funds. There was a similar finding in our previous report.

We recommend the Board implement procedures to ensure all mileage recorded on DAS - TSB vehicle reports is reasonable based on the most direct route of travel, the travel agrees to supporting documentation, and all points of destination are documented.

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Board's Response: The comments noted slight mileage variations in the estimated "official" mileage calculated by audit staff. Vehicle mileage logs accounted for these variations by noting a community and adjacent "area" in which the official travel occurred. Nebraska Ethanol Board staff explained to audit staff during the last audit (2005) that in official travel to rural areas there are seldom specific landmarks that further clarify the "area" in which travel takes place. For example, staff often assists communities with site location for prospective ethanol plants. This activity entails mileage accumulated in an "area" in the countryside near a community. Few state vehicles include a compass. Therefore, the "area" is designated as that being in proximity to the community noted in the travel log. This description of the term "area" was discussed during the 2005 audit and was apparently an acceptable explanation since no finding was included in the final audit report.

Agency staff also noted for audit staff, as an example, recent travel in the Omaha area that entailed 25 miles incurred during a trip to the airport, an area hotel and a parking facility. In no case was the vehicle turned off. Therefore, such travel was not viewed by Ethanol Board staff as a series of separate trips. The vehicle travel log indicates "Omaha/area" for this travel and the return trip to Lincoln. Mileage calculations by audit staff will likely flag this trip as not meeting the "official" mileage for Omaha to Lincoln travel. However, the "area" designation is considered by agency staff to cover the required responsibilities of agency vehicle travel. This practice is consistent with guidance provided by audit staff following the 2005 audit.

This explanation notwithstanding, agency staff will make an effort to be more precise in defining "area" when that designation is used on travel documents. This practice will be reviewed with members of the Nebraska Ethanol Board in July.

The APA staff involved in this evaluation were:

Timothy J. Channer, Assistant Deputy Auditor
Tom Bliemeister, Auditor-In-Charge
Pam Peters, Auditor-In-Charge
Cory Miller, Auditor II
Marty Adams, Auditor
Tonya Gum, Auditor

This letter is intended solely for the information and use of the Board. However, this letter is a matter of public record and its distribution is not limited.

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

Signed Original On File

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