

**ATTESTATION REPORT  
OF THE  
NEBRASKA MOTOR VEHICLE INDUSTRY  
LICENSING BOARD**

**JULY 1, 2008 THROUGH JUNE 30, 2009**

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**Issued on April 23, 2010**

NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

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# NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

## **BACKGROUND**

The Nebraska Motor Vehicle Industry Licensing Board (Board) is a self-supporting Board created during the 1957 legislative session. Members of the Board include the Director of the Department of Motor Vehicles, who serves as chairperson, and nine members appointed by the Governor, with the consent of the Legislature. The nine members, who serve three-year terms, include three new motor vehicle dealers, one from each congressional district; two licensed used motor vehicle dealers, from different congressional districts; one trailer dealer or combination motor vehicle or trailer dealer; a factory representative; a licensed motorcycle dealer; and a member representing the public.

The Board has the responsibility of protecting the public interest in connection with the activities of the manufacture, distribution, and sale of motor automobiles, motorcycles, trailers, and mobile homes. The Board exercises its responsibilities through the issuance, denial, suspension, or revocation of the following licenses: motor vehicle dealers – new and used, salespersons, manufacturers, factory branches, factory representatives, distributors, distributor representatives, trailer dealers, mobile home dealers, combination motor vehicle and trailer dealers, motorcycle dealers, motor vehicle auction dealers, wreckers and salvage dealers, and supplemental motor vehicle, motorcycle, trailer, and mobile home dealers. The Board also controls the distribution of dealer license plates by means of a statutory formula.

The Board meets when necessary to approve and deny license applications and to take actions on complaints. The Board also conducts hearings for new motor vehicle franchise applications, for the termination of any franchise, and for advertising violations. These powers were granted to the Board in order to prevent fraud and other abuses upon the citizens of the State.

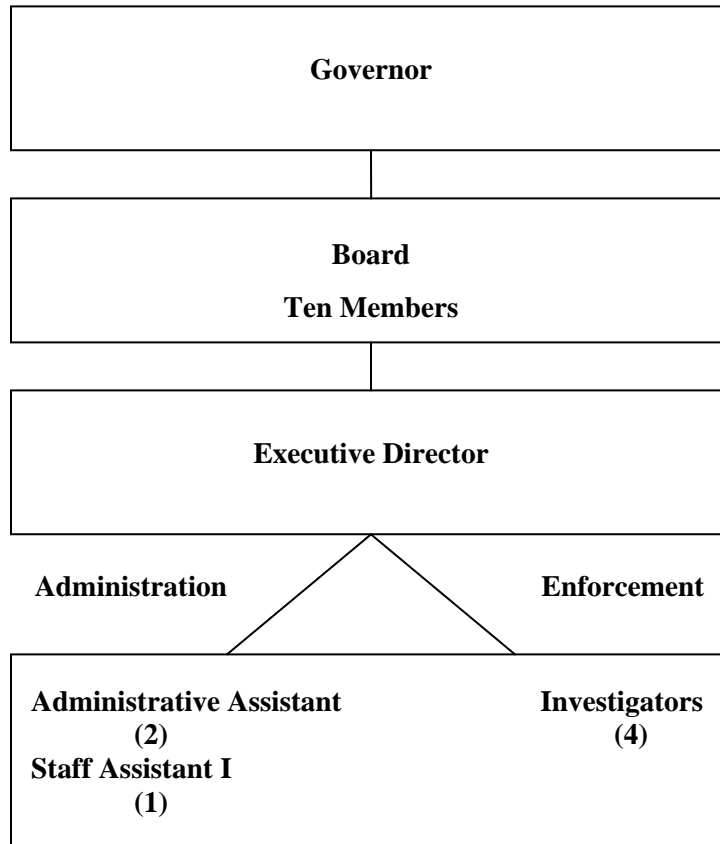
At June 30, 2009, the office and field staff consisted of an Executive Director, two Administrative Assistants, a Staff Assistant, and four Field Investigators who investigate complaints and inspect dealerships for compliance with the law.

## **MISSION STATEMENT**

The mission of the Motor Vehicle Industry Licensing Board is the regulation, investigation, and education on matters involving the selling of motor vehicles, trailers, and motorcycles in the State of Nebraska. Protection of the general public interest is the main priority. The Board's vision is to have a well informed network of motor vehicle/trailer/motorcycle dealers throughout the State of Nebraska.

NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

**ORGANIZATIONAL CHART**



NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

**EXIT CONFERENCE**

An exit conference was held April 19, 2010, with the Board to discuss the results of our examination. Those in attendance for the Nebraska Motor Vehicle Industry Licensing Board were:

<b>NAME</b>	<b>TITLE</b>
William Jackson	Director
Beverly Neth	Board Chair
Joan Zachek	Administrative Assistant

NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

SUMMARY OF COMMENTS

During our examination of the Nebraska Motor Vehicle Industry Licensing Board, we noted certain matters involving the internal control over financial reporting and other operational matters that are presented here.

1. ***Internal Controls Over Revenues:*** The Board did not have adequate controls to ensure monies received for licenses and permits was properly recorded and deposited. During fiscal year 2009, the Board deposited \$596,495 in license and permit revenues. Furthermore, a reconciliation of licenses issued in the Board's system did not agree to the calculated number of licenses issued. We noted a variance of seven licenses that could not be explained.
2. ***Legal Counsel Contract:*** The Board contracted with a law firm to provide legal services during the fiscal year. The Board paid the firm \$22,000; however, the Board did not receive detailed billings or supporting documentation to substantiate the charges. Furthermore, the Board did not have documentation to support the firm selected, the contract did not contain a termination clause, the contract was not reviewed by independent legal counsel, and the contract was not entered into the State's accounting system.
3. ***Travel Expenditures:*** The Director was reimbursed \$4,385 for two expense documents. The documents contained 690 miles or \$379 in unsubstantiated mileage claims; meals were claimed that were not allowed or were over the Federal guidelines totaling \$43; expenses incurred by the Director were not submitted monthly in accordance with State statute; out-of-state travel was not approved by the Board; and taxes for in-state lodging were paid in error.
4. ***Permanently Assigned Vehicle:*** The Board leased vehicles for field investigators through the Transportation Services Bureau (TSB). One field investigator terminated employment in November 2008, and the vehicle was no longer necessary. However, the vehicle was retained by the Board through November 2009. The Board incurred a total of \$2,040 in monthly fees for a vehicle that was not used.

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. The Board declined to respond.

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

# NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

## COMMENTS AND RECOMMENDATIONS

### 1. Internal Controls Over Revenues

A good internal control plan 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. Furthermore, a good internal control plan requires procedures to ensure the number of licenses issued agrees to licenses recorded in the Board's records.

During our review of the Board's procedures to ensure all monies received are properly accounted for and deposited, we noted several areas of concern. This finding has been reported to the Board since fiscal year 2005.

- Mail containing cash receipts were not adequately controlled, as only one individual opened the mail for the Board and an initial listing of monies received was not documented.
- After the mail was opened the license and permit applications were not separated from the monies received. The individuals that processed the applications were also able to generate the deposit.
- The licensing system used by the Board allowed users to change the license control number. Licenses could also be issued through the system with no corresponding amount posted. This increased the risk an individual could issue a license but not deposit the monies received.
- A reconciliation report was generated through the system that listed the license numbers issued and the corresponding amounts remitted. The individual that reviewed the report did not always ensure the next sequential license number was issued. Furthermore, licenses issued with no corresponding amount and voided licenses were not recorded on this report.
- The Board did not perform a reconciliation of actual licenses issued to the licenses issued as recorded on the Board's system, at the end of the fiscal year. The calculated number of licenses issued during fiscal year 2009, was 10,670; however, according to the Board's system 10,572 licenses were issued. After accounting for voids and licenses not received from the supplier, the variance was reduced to 7 licenses. Additionally, we noted a variance between the licensing system and the State accounting system of \$325. The Board was unable to explain the difference in the number of licenses and the dollar variance noted. Furthermore, because the system does not report voided licenses or licenses issued with no corresponding amount, it is unknown if the variance is greater than that noted above.
- Additionally, we noted there was a lack of controls over special permits issued by the Board. Special permits were issued to dealers who wanted to display, demonstrate, and/or sell vehicles, trailers, or motorcycles at Board approved community events. The special permits were not recorded on the Board's system, instead an Excel spreadsheet was used to account for the permits issued. The permits were not printed on stock with pre-printed control numbers. Therefore, an individual could issue a special permit using a duplicate number and not deposit the monies received. There was \$8,050 deposited for special permits during fiscal year 2009.

NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**1. Internal Controls Over Revenues (Concluded)**

As one individual was able to handle the monies received and process the licenses and permits without compensating controls, there was an increased risk monies could be misappropriated and would remain undetected.

We recommend the Board implement procedures to ensure monies received are properly deposited as follows:

- We recommend two individuals open the mail and run a calculator tape and compare the tape total to the deposit document when completed to ensure proper control over cash receipts. This procedure should be documented as completed and monies received should be held separate from the individual(s) that process the licenses and permits.
- We recommend the licensing system restrict user ability to adjust control numbers in the system.
- We further recommend the Board implement procedures to have an individual(s) independent from those that issue licenses, reconcile licenses issued to licenses recorded. The individual(s) involved in the reconciliation should document their review and all supporting records should be retained.
- Finally, we recommend the Board improve controls over special permits, such as using pre-numbered permits and performing a reconciliation of special permits issued to special permits recorded, to ensure no one individual is able to perform all aspects of issuing a special permit.

**2. Legal Counsel Contract**

Neb. Rev. Stat. § 73-505 (Supp. 2009) requires State agency directors to be responsible for maintaining accurate documentation of the process used for the selection of all contracts. The documentation should be kept with each contract for service.

Neb. Rev. Stat. § 73-503(1) (Supp. 2009) states, “All state agencies shall process and document all contracts for services through the state accounting system.”

A good internal control plan and good business practice require contracts to contain termination clauses and be reviewed by legal counsel to ensure the terms of the contract are in accordance with all applicable State statutes and rules and regulations. Furthermore, a good internal control plan and sound accounting practice require documentation to support charges incurred and paid by the Board.



**COMMENTS AND RECOMMENDATIONS**

(Continued)

**2. Legal Counsel Contract (Concluded)**

During testing of the Board's contract with outside legal counsel we noted the following:

- The Board was charged \$2,000 each month for ten to twelve hours of legal services to be provided as outlined in the contract. However, the Board did not receive detailed billings or supporting documentation for the time spent during the month to substantiate the billings. The Board paid the law firm \$22,000 during fiscal year 2009.
- There was no documentation on file to support the basis for the selection of the law firm. It is unknown if additional bids were attained to ensure the lowest contract was obtained. The Board re-signed the contract again in March 2010.
- The contract did not contain a termination clause. The contract was written by the law firm and was not reviewed by the State Attorney General to ensure all provisions were proper.
- Additionally, the contract was not entered on the State's accounting system in compliance with State statute.

Without adequate policies and procedures to ensure contracted services are reasonable and proper there is an increased risk of misuse of State funds. This finding was also noted during fiscal year 2008.

We recommend the Board ensure documentation is obtained and maintained to support billings. We also recommend the Board ensure documentation is retained to support the selection of contractors and all contracts be properly reviewed by independent legal counsel. Furthermore, the Board should ensure all service contracts are properly recorded on the State's accounting system in compliance with State statute.

**3. Travel Expenditures**

Neb. Rev. Stat. § 81-1174 (Reissue 2008) requires reimbursements for expenses incurred to be submitted each month. Each request is to be fully itemized and when requesting reimbursement for mileage, the points between such travel, times of arrival and departure, and the necessity and purpose are to be shown on the request.

A good internal control plan and sound accounting practice require adequate documentation to support expenses reimbursed to individuals. Furthermore, meals provided by a conference should not be reimbursed to individuals, taxes should not be paid for in-state lodging, and approval to attend out-of-state conferences should be obtained from the Board prior to the individual's attendance.

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**3. Travel Expenditures (Concluded)**

During testing of travel expenditures we selected two expense reimbursement documents (ERD) submitted by the Director. One ERD was submitted for the period May 30, 2008, through October 2008, totaling \$2,498. The second ERD was submitted for the period January 2009 through April 2009, totaling \$1,887. The following issues were noted during the review:

- Several mileage reimbursements did not have adequate supporting documentation to substantiate the miles claimed. The ERD did not contain points of destinations in order to determine the mileage was reasonable. For January, February, and April 2009, mileage claimed totaled 1,211 miles for investigative work in the Omaha area. However, there was only documentation to support 521 miles. There was no support for 690 miles, or \$379, reimbursed to the Director.
- Two day's meals were not proper. The Director claimed breakfast for \$18; however, breakfast was provided by the conference. Additionally, one day's meals totaled \$64, however, the U.S. General Services Administration (GSA) daily rate was \$39, this was \$25 over the GSA guidelines and not deemed reasonable.
- As the expense documents contained several months expenses, the reimbursements were not made timely in accordance with State statute.
- The Director attended two out-of-state conferences during the periods tested, one to Iowa and another to Seattle, Washington. However, the travel was not approved by the Board per review of the Board minutes.
- Furthermore, lodging was obtained in Norfolk, Nebraska. Sales and lodging taxes totaling \$6 were paid. As the State of Nebraska is tax exempt, lodging obtained within the State should be direct billed to avoid paying taxes.

Without adequate policies and procedures to ensure expense reimbursements claimed by employees are proper and comply with State statute there is an increased risk of misuse of State funds.

We recommend the Board ensure documentation is obtained to support expense reimbursements claimed. If proper supporting documentation is not obtained, expenses should not be reimbursed. Furthermore, we recommend the Board ensure meals claimed are reasonable and proper; expense documents are submitted timely in compliance with State statute; out-of-state travel is properly approved by the Board; and taxes for in-state lodging are not inappropriately paid.

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**4. Permanently Assigned Vehicle**

According to the Department of Administrative Services, Transportation Services Bureau (TSB), Requirements for Permanently Assigned Motor Vehicles policy, "Motor vehicles shall be considered for permanent assignment when they are required for a period of thirty days or longer; will travel a minimum of 1,000 miles per month; and will be utilized seventeen working days per month."

A good internal control plan and sound business practice require adequate procedures to ensure costs incurred are necessary and reasonable.

The Board had five permanently assigned vehicles for their field investigators during fiscal year 2009. In November 2008, one field investigator terminated employment. The vehicle was no longer necessary for the Board to lease from TSB. However, the Board continued to lease the vehicle through November 2009. The Board incurred a \$170 monthly fee while the vehicle sat unused, totaling \$2,040 in unnecessary expenses.

We recommend the Board implement policies and procedures to ensure all costs incurred are necessary and reasonable. Furthermore, we recommend the Board ensure vehicles no longer necessary for the administration of the Board are turned into TSB in a timely manner.



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley  
State Auditor

Mike.Foley@nebraska.gov  
P.O. Box 98917  
State Capitol, Suite 2303  
Lincoln, Nebraska 68509  
402-471-2111, FAX 402-471-3301  
www.auditors.state.ne.us

### NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

#### INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Motor Vehicle Industry Licensing Board  
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Motor Vehicle Industry Licensing Board (Board) for the fiscal year ended June 30, 2009. The Board'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 Motor Vehicle Industry Licensing Board for the fiscal year ended June 30, 2009, 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 19, 2010, on our consideration of the Nebraska Motor Vehicle Industry Licensing Board'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 Motor Vehicle Industry Licensing Board, others within the Board, and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

Signed Original on File

April 19, 2010

Don Dunlap, CPA  
Assistant Deputy Auditor

**NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
For the Fiscal Year Ended June 30, 2009

	Motor Vehicle Industry Licensing Board Fund 24010	Permanent School Fund 63340	<b>Totals (Memorandum Only)</b>
<b>REVENUES:</b>			
Sales & Charges	\$ 650,717	\$ -	\$ 650,717
Miscellaneous	11,961	22,000	33,961
<b>TOTAL REVENUES</b>	<b>662,678</b>	<b>22,000</b>	<b>684,678</b>
<b>EXPENDITURES:</b>			
Personal Services	498,001	-	498,001
Operating	69,256	-	69,256
Travel	49,589	-	49,589
Capital Outlay	1,996	-	1,996
<b>TOTAL EXPENDITURES</b>	<b>618,842</b>	<b>-</b>	<b>618,842</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	43,836	22,000	65,836
<b>OTHER FINANCING SOURCES (USES):</b>			
Deposit to/from Common Fund	-	(22,000)	(22,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>(22,000)</b>	<b>(22,000)</b>
Net Change in Fund Balances	43,836	-	43,836
FUND BALANCES, JULY 1, 2008	217,358	-	217,358
FUND BALANCES, JUNE 30, 2009	\$ 261,194	\$ -	\$ 261,194
<b>FUND BALANCES CONSIST OF:</b>			
General Cash	\$ 260,452	\$ -	\$ 260,452
Deposits with Vendors	742	-	742
<b>TOTAL FUND BALANCES</b>	<b>\$ 261,194</b>	<b>\$ -</b>	<b>\$ 261,194</b>

The accompanying notes are an integral part of the schedule.

NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

**NOTES TO THE SCHEDULE**

For the Fiscal Year Ended June 30, 2009

**1. Criteria**

The accounting policies of the Nebraska Motor Vehicle Industry Licensing Board (Board) are on the basis of accounting as prescribed by the State of Nebraska Department of Administrative Services (DAS).

Per Neb. Rev. Stat. § 81-1107(2) (Reissue 2008), 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. § 81-1111(1) (Reissue 2008), 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, 2009, include only those payables posted in the general ledger before June 30, 2009, and not yet paid as of that date. The amount recorded as expenditures as of June 30, 2009, does not include amounts for goods and services received before June 30, 2009, which had not been posted to the general ledger as of June 30, 2009.

The Board had no accounts receivable at June 30, 2009. Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

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

**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.

**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.

NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

**NOTES TO THE SCHEDULE**

(Continued)

**1. Criteria** (Concluded)

The major revenue account classifications established by State Accounting used by the Board are:

**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 fines.

The major expenditure account classifications established by State Accounting 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.

**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.

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

**Assets** – Resources owned or held by a government that have monetary value. Assets include cash accounts and deposits with vendors. 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 Financing Sources** – Deposits to/from common fund.

**2. Reporting Entity**

The Nebraska Motor Vehicle Industry Licensing 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 schedule includes all funds of the Board included in the general ledger.



NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

**NOTES TO THE SCHEDULE**

(Continued)

**2. Reporting Entity** (Concluded)

The Nebraska Motor Vehicle Industry Licensing Board 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 Board takes an annual inventory and accounts for all equipment that has a cost of \$1,500 or more at the date of acquisition in the State Accounting System.

For the CAFR, the State requires the Board 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 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.

NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

**NOTES TO THE SCHEDULE**  
(Continued)

**5. Capital Assets** (Concluded)

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

Capital asset activity of the Board recorded in the State Accounting System for the fiscal year ended June 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets				
Equipment	\$ 5,089	\$ 1,996	\$ 2,770	\$ 4,315
Less accumulated depreciation for:				
Equipment				<u>2,817</u>
Total capital assets, net of depreciation				<u>\$ 1,498</u>

**6. Deposits to/from Common Funds**

Deposits to the Permanent School Fund include administrative fines assessed on violations required to be deposited in the fund by Neb. Rev. Stat. § 60-1415(2) (Reissue 2004).

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

Through their bank reconciliation procedures, DAS – State Accounting identified a variance between the State Treasurer's bank statements and the State's balances in the general ledger (NIS). The bank records were short as compared to the accounting records. Monthly reconciliations were completed by DAS – State Accounting for July 2005 through May 2009. The variance between the bank records and the balances in NIS was consistent at \$1,065,210 for all the months noted. DAS – State Accounting reduced the total Operating Investment Pool (OIP) interest distributed to each agency in June 2009. The total OIP interest distributed was reduced by \$897,282 which consisted of the net of the \$1,065,210 variance between the bank records and accounting records, and \$167,928 of other miscellaneous adjustments. As of June 30, 2009, there was no variance between the bank records and the accounting records. The effect on the Board's schedule was not significant.



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley  
State Auditor

Mike.Foley@nebraska.gov  
P.O. Box 98917  
State Capitol, Suite 2303  
Lincoln, Nebraska 68509  
402-471-2111, FAX 402-471-3301  
[www.auditors.state.ne.us](http://www.auditors.state.ne.us)

**NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD  
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 Motor Vehicle Industry Licensing Board  
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Motor Vehicle Industry Licensing Board as of and for the year ended June 30, 2009, and have issued our report thereon dated April 19, 2010. 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 Motor Vehicle Industry Licensing Board'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 Motor Vehicle Industry Licensing Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Nebraska Motor Vehicle Industry Licensing Board'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 a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 Motor Vehicle Industry Licensing Board'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 Motor Vehicle Industry Licensing Board's financial schedule that

is more than inconsequential will not be prevented or detected by the Nebraska Motor Vehicle Industry Licensing Board's internal control. We consider the following deficiency described in the Comments Section of the report to be a significant deficiency in internal control over financial reporting: Comment Number 1 (Internal Controls Over Revenues).

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 Motor Vehicle Industry Licensing Board'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 the significant deficiency described above is not a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nebraska Motor Vehicle Industry Licensing Board'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 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 noted certain additional items that we reported to management of the Nebraska Motor Vehicle Industry Licensing Board in the Comments Section of this report as Comment Number 2 (Legal Counsel Contract), Comment Number 3 (Travel Expenditures), and Comment Number 4 (Permanently Assigned Vehicle).

The Nebraska Motor Vehicle Industry Licensing Board'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 Motor Vehicle Industry Licensing Board's response and, accordingly, we express no opinion on it. Where no response is indicated, the Board declined to respond.

This report is intended solely for the information and use of management, the Nebraska Motor Vehicle Industry Licensing Board, others within the Board, and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

Signed Original on File

April 19, 2010

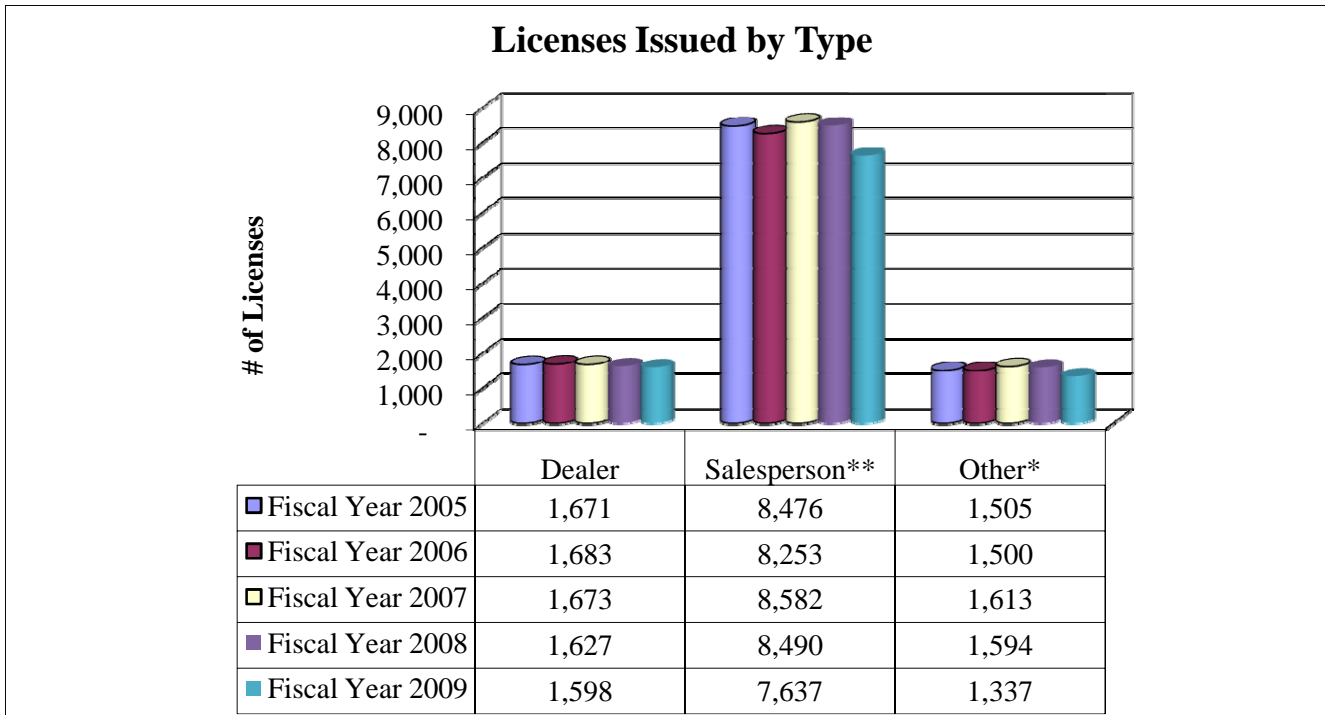
Don Dunlap, CPA  
Assistant Deputy Auditor

NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

**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 MOTOR VEHICLE INDUSTRY LICENSING BOARD**  
**SCHEDULES OF LICENSES ISSUED BY TYPE AND FUND BALANCE BY FISCAL YEAR**  
 For the Fiscal Years Ending June 30, 2005, 2006, 2007, 2008, and 2009



License Fee:                                 \$200                                 \$15                                 Varies

\*Other includes the following licenses: Supplemental Dealer, Motorcycle Dealer, Manufacturer, Representative, Distributor, Finance Company, Wrecker and Salvage, Auction Dealer, Special Permit, Manufacturer Branch, New Name, New Location, Dealers Agent, and Trailer Dealer.

\*\*Salesperson License Fees were \$10 during the first half of fiscal year 2009 and increased to \$15 during the second half of fiscal year 2009.

