

**ATTESTATION REPORT  
OF THE  
STATE OF NEBRASKA  
OFFICE OF THE GOVERNOR**

**JULY 1, 2011 THROUGH JUNE 30, 2012**

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**Issued on August 29, 2012**

*The Nebraska Auditor of Public Accounts Office was created by the first territorial Legislature in 1855. The Auditor was the general accountant and revenue officer of the territory. The duties have expanded and evolved over the decades as modern accounting theory has been implemented. The office of the Auditor of Public Accounts is one of six offices making up the executive branch of Nebraska State Government. Mike Foley was elected November 2006 and re-elected November 2010 as the Nebraska Auditor of Public Accounts. He was sworn into office on January 4, 2007, as Nebraska's 24th State Auditor.*

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*We will provide this information, as required by statute, to all policymakers and taxpayers through written reports and our Internet based Budget and Audit databases.*

*We will maintain a professionally prepared staff, utilizing up to date technology, and following current Government Auditing Standards.*

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STATE OF NEBRASKA  
OFFICE OF THE GOVERNOR

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STATE OF NEBRASKA  
OFFICE OF THE GOVERNOR

**BACKGROUND**

The Constitution of the State of Nebraska vests the supreme power of the State in the Governor. It is the duty of the Governor to “take care that the laws be faithfully executed and the affairs of the state efficiently and economically administered.”

The Governor is the chief budget officer and must present the Legislature with a complete budget for all expenditures for administration of the State’s regular business. The Governor’s other duties include signing or vetoing bills passed by the Legislature; the appointment of certain officers as required by the Constitution and statutes; and other duties defined by the Constitution and various statutes.

There are two offices under the agency referred to as the Governor’s Office (Office). They include the Office of the Governor and the Governor’s Policy Research Office (GPRO).

The Governor’s Policy Research Office, created by the 1979 Legislature, replaced the Office of Planning and Programming, created in 1969. The GPRO helps the Governor develop and review State government policy. When needed, the GPRO coordinates and directs multi-agency programs or special programs not fitting any particular agency. The GPRO enhances the Governor’s executive capability. A small professional staff helps the Governor analyze policy options, promote executive branch cooperation and efficiency, review proposed rules and regulations, and research State and national trends. The GPRO monitors legislative bills, coordinates legislative activities of code agencies, and helps develop and promote the Governor’s legislative agenda. The Office is organized on a functional basis. Advisors in assigned policy areas serve as liaisons for the Governor with State and Federal agencies, local political subdivisions, constituents, and other public and private entities.

Dave Heineman was appointed Governor in 2005 and was elected in 2006. He was re-elected in 2010.

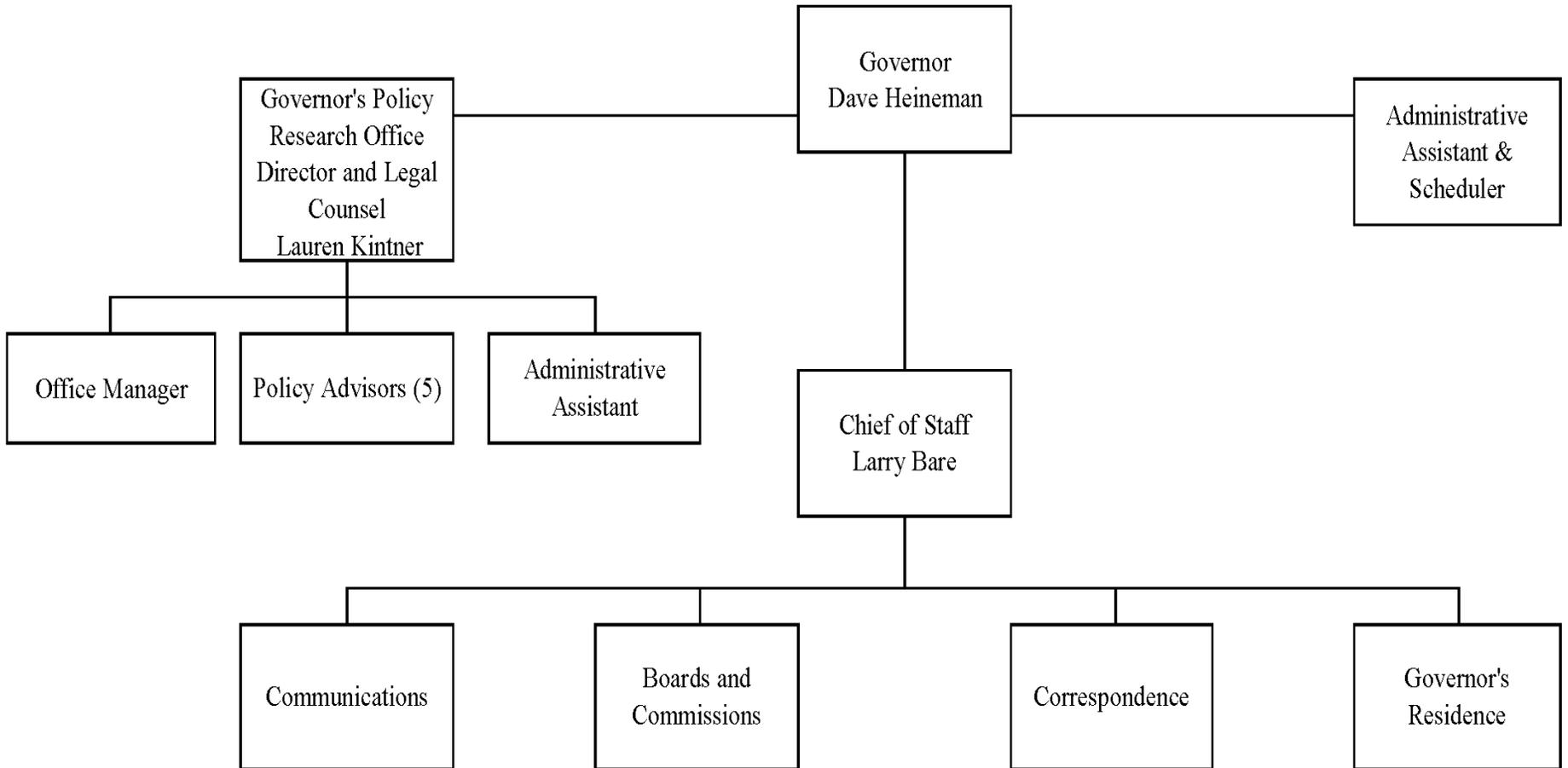
**MISSION STATEMENT**

The Governor’s mission is to serve the people of the State as the elected chief executive as prescribed by the Constitution and statute.

The Governor’s Policy Research Office assists in the development, implementation, and review of State government policy.

STATE OF NEBRASKA  
OFFICE OF THE GOVERNOR

**ORGANIZATIONAL CHART**



STATE OF NEBRASKA  
OFFICE OF THE GOVERNOR

**EXIT CONFERENCE**

An exit conference was held August 22, 2012, with the Office to discuss the results of our examination. Those in attendance for the Office of the Governor were:

<b>NAME</b>	<b>TITLE</b>
Larry Bare	Chief of Staff
Lauren Kintner	Director, Governor's Policy Research Office
Betty Hladky	DAS – Budget Division Business Manager
Susie Voecks	DAS – Central Services Payroll Officer

STATE OF NEBRASKA  
OFFICE OF THE GOVERNOR

**SUMMARY OF COMMENTS**

During our examination of the State of Nebraska Office of the Governor (Office), we noted a certain deficiency in internal control and other operational matters that are presented here.

A deficiency in internal control 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.

These comments and recommendations are intended to improve the internal control over financial reporting or result in operational efficiencies in the areas as follows:

1. ***Lack of Segregation of Duties Over Expenditures:*** Two personnel had the ability to prepare, approve, and post their own batches.
2. ***Certification of Time Worked:*** Three employees did not certify that they worked the forty hours required per work week.

More detailed information on the above items is provided hereafter. It should be noted that this report is critical in nature as it contains only our comments and recommendations on the areas noted for improvement and does not include our observations on any accounting strengths of the Office of the Governor.

Draft copies of this report were furnished to the Office 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.

STATE OF NEBRASKA  
OFFICE OF THE GOVERNOR

**COMMENTS AND RECOMMENDATIONS**

**1. Lack of Segregation of Duties Over Expenditures**

Good internal control includes procedures designed to safeguard assets and provide reliable financial records. A system of internal control should include proper segregation of duties so no one individual is capable of handling all phases of a transaction from beginning to end.

We noted two individuals were authorized in EnterpriseOne, the State's accounting system, to prepare, approve, and post their own batches. For ten expenditure transactions tested, we did not identify any instances where these individuals prepared, approved, and posted their own batches.

Without a proper segregation of duties, there is an increased risk possible errors or irregularities could go undetected.

We recommend the Office implement a proper segregation of duties within EnterpriseOne. If a proper segregation of duties is not possible due to a limited number of personnel, compensating controls should be implemented which could include management running and reviewing the Office's general ledger detail on a periodic basis. This review should be documented.

*Office's Response: This office appreciates the suggestions of the Auditor to better document the many levels of review that are currently practiced by the agency. As the Auditor has noted, no instances were identified where any individual staff members prepared, approved, and posted their own batches. Additional documentation procedures to demonstrate the segregation of duties will be reviewed by the office.*

**2. Certification of Time Worked**

Neb. Rev. Stat. § 84-1001(1) (Reissue 2008) states, "All state officers and heads of departments and their deputies, assistants, and employees ... shall render not less than forty hours of labor each week ..." In addition, a good internal control plan requires hours actually worked to be adequately documented, for example, via timesheets, time logs, etc. and that such documentation be kept on file to provide evidence of compliance with the requirements of § 84-1001. Furthermore, a good internal control plan requires employees that accrue vacation and sick leave have adequate support that the employees "earned" the amounts recorded in the leave records.

All three individuals tested did not complete a timesheet or assert that they worked forty hours each week. Employees were required to complete leave slips documenting the hours of vacation or sick leave used.

STATE OF NEBRASKA  
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**COMMENTS AND RECOMMENDATIONS**  
(Continued)

**2. Certification of Time Worked (Concluded)**

Without adequate records to support a forty hour work week for all employees, there is an increased risk for noncompliance with statute and for inaccurate payments for unused leave at termination.

We recommend the Office document compliance with statute by requiring staff to complete a timesheet or certify they worked forty hours each week.

*Office's Response: None of the Governor's Office or the Governor's Policy Research Office staff maintain timesheets as there is no legal requirement to do so. We are confident that all of the staff are working or are using approved leave for at least 40 hours per week. The office does appropriately document authorized leave used by staff members. There is no plan to change this practice.*



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## STATE OF NEBRASKA OFFICE OF THE GOVERNOR

### INDEPENDENT ACCOUNTANT'S REPORT

Office of the Governor  
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balance of the Office of the Governor (Office) for the fiscal year ended June 30, 2012. The Office's management is responsible for the schedule of revenues, expenditures, 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 revenues, expenditures, 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 revenues, expenditures, and changes in fund balance of the Office of the Governor for the fiscal year ended June 30, 2012, based on the accounting system and procedures prescribed by the State of Nebraska Director of the Department of Administrative Services as described in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the schedule of revenues, expenditures and changes in fund balance and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the schedule of revenues, expenditures, and changes in fund balance is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the schedule of revenues, expenditures, and changes in fund balance or on compliance and other matters; accordingly we express no such opinions. Our examination disclosed a certain finding that is required to be reported under *Government Auditing Standards* and the finding, along with the views of management, is described in the Comments Section of the report.

This report is intended solely for the information and use of management, others within the Office, and the appropriate Federal and regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Signed Original on File

August 27, 2012

Mike Foley  
Auditor of Public Accounts

STATE OF NEBRASKA  
OFFICE OF THE GOVERNOR  
**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE**

For the Fiscal Year Ended June 30, 2012

	<b>General Fund 10000</b>
	<b>10000</b>
REVENUES:	
Appropriations	\$ 1,684,164
Miscellaneous	281
TOTAL REVENUES	1,684,445
EXPENDITURES:	
Personal Services	1,469,601
Operating	159,282
Travel	54,388
Capital Outlay	893
TOTAL EXPENDITURES	1,684,164
Excess of Revenues Over Expenditures	281
OTHER FINANCING SOURCES (USES):	
Sales of Assets	709
Deposit to General Fund	(990)
TOTAL OTHER FINANCING SOURCES (USES)	(281)
Net Change in Fund Balance	-
FUND BALANCE, JULY 1, 2011	2,054
FUND BALANCE, JUNE 30, 2012	\$ 2,054
FUND BALANCE CONSISTS OF:	
Deposits with Vendors	\$ 2,054
TOTAL FUND BALANCE	\$ 2,054

The accompanying notes are an integral part of the schedule.

STATE OF NEBRASKA  
OFFICE OF THE GOVERNOR

**NOTES TO THE SCHEDULE**

For the Fiscal Year Ended June 30, 2012

**1. Criteria**

The accounting policies of the Office of the Governor (Office) 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 the Department 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 EnterpriseOne to maintain the general ledger and all detailed 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 balance was obtained directly from the general ledger and fund balance information maintained on EnterpriseOne. 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, 2012, include only those payables posted in the general ledger before June 30, 2012, and not yet paid as of that date. The amount recorded as expenditures as of June 30, 2012, **does not** include amounts for goods and services received before June 30, 2012, which had not been posted to the general ledger as of June 30, 2012.

The Office had no accounts receivable at June 30, 2012. Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

The fund type established by the State that is used by the Office is:

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

The major revenue account classifications established by State Accounting used by the Office 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.

STATE OF NEBRASKA  
OFFICE OF THE GOVERNOR

**NOTES TO THE SCHEDULE**  
(Continued)

1. **Criteria** (Concluded)

**Miscellaneous** – Revenue from sources not covered by other major categories, such as rebates from the use of a State purchasing card and contributions received in the mail.

The major expenditure account classifications established by State Accounting used by the Office are:

**Personal Services** – Salaries, wages, and related employee benefits provided for all persons employed by the Office.

**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 Office include:

**Assets** – Resources owned or held by a government that have monetary value. Assets include deposits with vendors. Deposits with vendors are also included in the 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 the fund balance.

**Other Financing Sources** – Proceeds of fixed asset dispositions.

2. **Reporting Entity**

The Office of the Governor is a State agency established under and governed by the laws of the State of Nebraska. As such, the Office is exempt from State and Federal income taxes. The schedule includes all funds of the Office included in the general ledger.

The Office of the Governor is part of the primary government for the State of Nebraska.

STATE OF NEBRASKA  
OFFICE OF THE GOVERNOR

**NOTES TO THE SCHEDULE**  
(Continued)

**3. 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 Office 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 Office 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 \$1,500 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.

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 Office recorded in the State Accounting System for the fiscal year ended June 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets				
Equipment	\$ 42,382	\$ -	\$ 12,386	\$ 29,996
Less accumulated depreciation for:				
Equipment				28,888
Total capital assets, net of depreciation				\$ 1,108

STATE OF NEBRASKA  
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**NOTES TO THE SCHEDULE**  
(Continued)

**4. Support Services**

The Office of the Governor has historically been provided services from code agencies directly under its control. The following agencies were identified as providing direct support services to the Office:

**DAS Budget Division**

Processed and maintained the accounting records for the Governor's administrative staff and assists the Governor in the preparation of the State's budget for presentation to the Legislature each year.

**DAS Building Division**

Responsible for the maintenance and operation of the Governor's Mansion. DAS Building Division also spent money for construction and Mansion ground improvements. Total expenditures were not identified or tested as part of this examination.

**State Patrol**

State Patrol has historically protected the Governor and his official residence. The State Patrol services included: security staff salaries, the State Patrol's helicopter usage, travel costs of the Governor's security staff, communication costs, the lease of the Governor's official vehicles, tuition assistance for the Governor's security staff, and other miscellaneous costs. Total expenditures were not identified or tested as part of this examination.

**Department of Aeronautics**

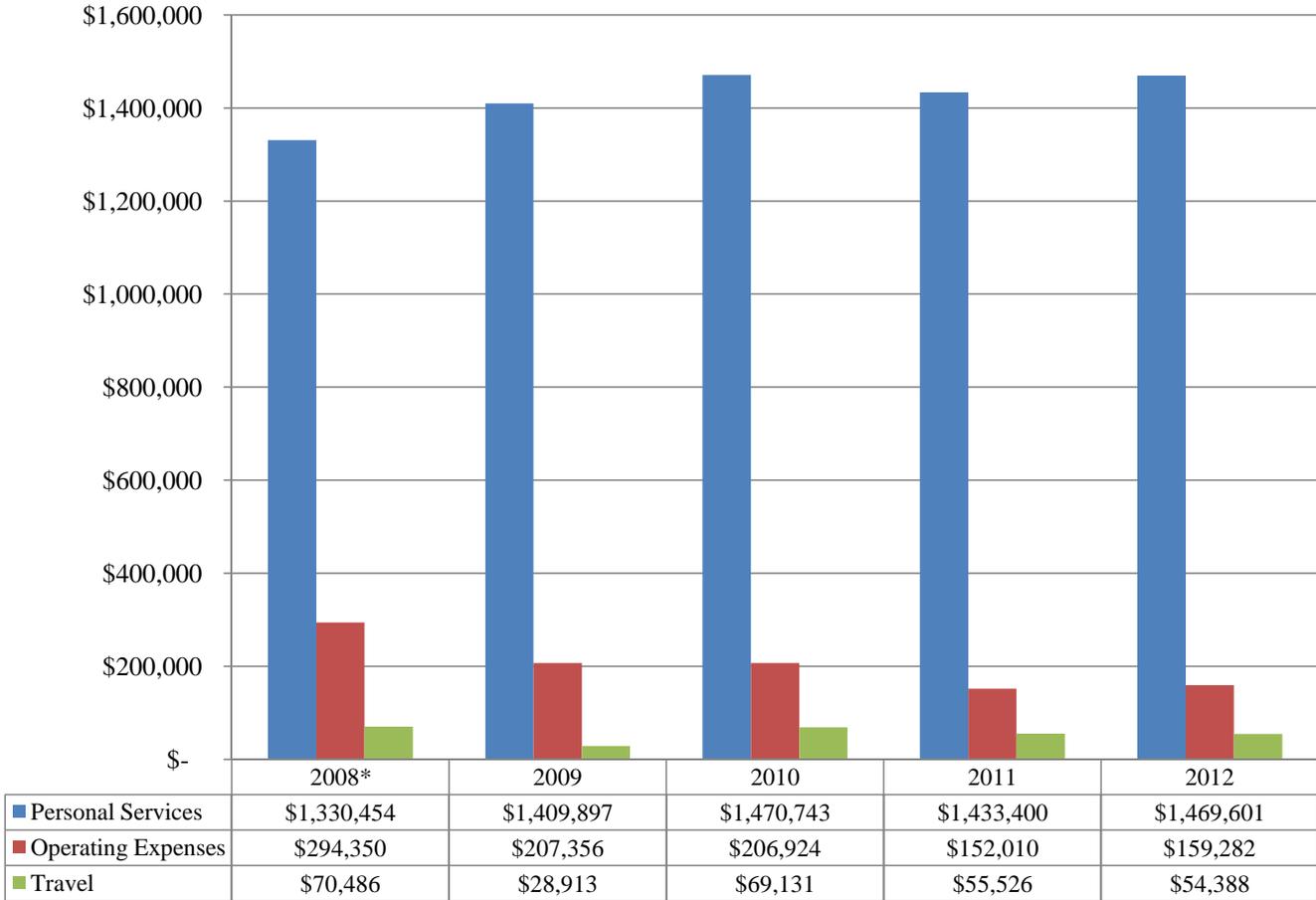
Provided air transportation for the Governor at the Department's expense, as required by Neb. Rev. Stat. § 3-106 (Reissue 2007). The Office pays for all transportation costs exceeding \$32,500 from the Governor's budget. During the fiscal year, the Office paid \$52,002 for air transportation provided by the Department of Aeronautics.

STATE OF NEBRASKA  
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**SUPPLEMENTARY INFORMATION**

Our examination was conducted for the purpose of forming an opinion on the schedule of revenues, expenditures, and changes in fund balance. Supplementary 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 balance, and, accordingly, we express no opinion on it.

STATE OF NEBRASKA  
OFFICE OF THE GOVERNOR  
**SCHEDULE OF EXPENDITURES**  
For the Fiscal Years Ended June 30, 2008 through June 30, 2012



\* In Fiscal Year 2008 the Energy Office was included under the Office of the Governor, and became its own agency after 2008. Expenditures during 2008 for the Energy Office were excluded from this chart. Fiscal Year 2008 expenditures for the Energy Office were \$1,101,064 for Personal Services, \$148,125 for Operating Expenses, and \$12,384 for Travel.