ATTESTATION REPORT
OF THE
NEBRASKA COMMISSION ON LAW ENFORCEMENT
AND CRIMINAL JUSTICE

JANUARY 1, 2011 THROUGH DECEMBER 31, 2011

Issued on May 31, 2012

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Audit Staff Working On This Examination

Krista Davis, Audit Manager
Kelli Baker, CPA, Auditor II
Peggy Graham, CFE, Auditor
Emily Turek, Auditor

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NEBRASKA COMMISSION ON LAW ENFORCEMENT
AND CRIMINAL JUSTICE

TABLE OF CONTENTS

NEBRASKA COMMISSION ON LAW ENFORCEMENT
AND CRIMINAL JUSTICE

BACKGROUND

The Nebraska Commission on Law Enforcement and Criminal Justice (Commission) was created in 1967 by an executive order of the Governor, and was established as a State government agency by the Nebraska Legislature in 1969.

The governing body of the Commission has 18 members, most of whom are appointed by the Governor for six year terms. State statute requires the Governor, Attorney General, Superintendent of the State Patrol, Director of the Department of Correctional Services, and chairperson of the Police Standards Advisory Council to be Commission members. The Commission meets quarterly to review the activities of its committees, take final action in awarding State and Federal grant funds, provide oversight of staff activities and conduct other business as required. The Commission's four standing committees are the Education, Research, and Planning Committee; Grant Review Committee; Crime Victim's Reparations Committee; and the Data Processing Committee.

The Commission was established to develop comprehensive plans and coordinate activities related to the improvement of criminal justice administration among State and local agencies. The Commission serves as an umbrella agency for many criminal and juvenile justice programs mandated by State and Federal law, consisting of the following programs: Juvenile Services Act, County Juvenile Services Aid, Central Administration, Law Enforcement Training Center, Victim-Witness Assistance, Crime Victim's Reparations, Jail Standards, Office of Violence Prevention, State Agency Byrne Grants, Criminal Justice Information System, Community Corrections Council, and Byrne Grants.

The Commission administers State and Federal grant funds to juvenile justice and delinquency prevention programs throughout Nebraska and coordinates the development of juvenile justice initiatives and projects. The Commission monitors and oversees Nebraska's compliance with the Federal act and provides technical assistance and training to criminal and juvenile justice practitioners. The Commission also administers the Juvenile Accountability Incentive Block Grant Program, Nebraska Juvenile Services Act, and Juvenile Services Aid to Counties.

Since 1971, the Commission has been responsible for the administration and supervision of the Nebraska Law Enforcement Training Center in Grand Island. The center provides mandatory basic and specialized training for law enforcement and detention officers statewide, including continuing education and specialized training programs. Several institutions of higher learning grant college credit for training center coursework.

Since 1985, the Commission has administered Federal and State funds for crime victim assistance programs. The programs provide medical, emotional, financial, and legal assistance as well as shelter, support, and advocacy to crime victims during a time of crisis. The Crime Victim's Reparation Act provides compensation to innocent victims of crime for certain expenses directly related to the criminal act. Victims may be reimbursed up to $10,000 for medical and funeral expenses, loss of wages or earning power, counseling fees, and residential crime scene cleanup.

BACKGROUND
(Continued)

The Nebraska Jail Standards Board, created in 1978 and placed with the Commission in 1981, is responsible for developing, implementing, and enforcing minimum standards for the State's adult jails, temporary holding facilities, and juvenile detention facilities. The Commission's Jail Standards Division annually inspects local jails, temporary holding facilities, and juvenile detention facilities for compliance with Nebraska's mandatory standards. The division also provides technical assistance to local jurisdictions in planning, construction and renovation projects, training, operations, management, record systems, policies and procedures, and resource development.

The 2009 Legislature created the Office of Violence Prevention to help promote, assess, and fund statewide violence prevention programs. The office aids privately funded organizations, local government, and other advocacy groups in developing prevention, intervention, diversion, and enforcement programs.

In 1971, the Commission became responsible for collecting Uniform Crime Reports for the Federal Bureau of Investigation. All law enforcement agencies in the State are required by law to submit the reports detailing the number of crimes reported or known to them and the number of arrests and citations issued on a monthly basis. The Commission also maintains several statewide databases compiled and published on a regular basis.

The 2003 Legislature created the Community Corrections Act to provide for developing and establishing community-based facilities and programs for adult felons while encouraging their use as alternatives to incarceration or re-incarceration. The alternatives are to reduce reliance on prison and enhance offender supervision in the community.

Since 1986, the Commission has administered and coordinated Federal Justice Assistance (Byrne) funds. The funds are awarded to State and local programs addressing drug abuse and violent crime enforcement, offender treatment programs, drug testing, training, prosecution, substance abuse assessments for adult offenders, indigent defense enhancement of the Sexual Offender Registry, and a statewide computerized law enforcement intelligence system.

NEBRASKA COMMISSION ON LAW ENFORCEMENT
AND CRIMINAL JUSTICE

EXIT CONFERENCE

An exit conference was held May 10, 2012, with the Nebraska Commission on Law Enforcement and Criminal Justice (Commission) to discuss the results of our examination. Those in attendance for the Commission were:

NAME	TITLE
Michael Behm (via Teleconference)	Executive Director
Bruce Ayers	Budget Officer
Mary Thomason	Personnel Officer
Ken Rouch	Administrative Services – State Accounting

SUMMARY OF COMMENTS

During our examination of the Nebraska Commission on Law Enforcement and Criminal Justice (Commission), we noted certain deficiencies in internal control and other operational matters that are presented here.

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. ***Internal Control Over Receipts:*** The Commission did not have adequate policies and procedures to ensure no one individual was able to perform all functions of the receipting process. Cash receipts were not adequately safeguarded and deposited timely. Furthermore, invoicing procedures were not adequately segregated or performed timely.

2. ***Lack of Supporting Documentation:*** There was a lack of supporting documentation on file to support 11 of 17 revenue and 14 of 33 expenditure transactions tested from the Commission. Furthermore, subrecipient payments of Federal grants did not have adequate documentation to determine allowability in accordance with Federal regulations.

3. ***Cash Management:*** The Commission did not have adequate procedures to ensure cash draws did not exceed their immediate cash needs. We were unable to determine timeliness for three of five cash draws tested, totaling $210,000, as the Commission did not adequately record expenditures by grant in the accounting system. Additionally, four of seven disbursements to subrecipients and other State agencies tested were not expended by the subrecipient within 30 days. A similar finding was noted during the prior examination for fiscal year ended June 30, 2006, and during the Statewide Single Audit for fiscal year ended June 30, 2011.

4. ***Federal Reporting:*** We tested one Federal financial report and noted the expenditures reported could not be traced to the accounting system, the required match was under-reported by $65,434, and the match expenditures were over-reported by $180,179. We also tested one American Recovery and Reinvestment Act (ARRA) 1512 report and noted the expenditures were over-reported by $131,855 and receipts were under-reported by $1,300,000. A similar finding was noted during the Statewide Single Audit for fiscal year ended June 30, 2011.

5. ***Federal Noncompliance:*** We noted noncompliance with Federal regulations relating to incorrect CFDA information in the accounting system, lack of verification of suspension and debarment requirements, lack of communication of Federal awarding information to subrecipients, and lack of procedures to obtain and review A-133 audits for subrecipients.

SUMMARY OF COMMENTS
(Continued)

6. ***Internal Control Over Fixed Assets:*** The Commission did not have adequate policies and procedures to ensure no one individual was able to perform all functions of the fixed asset process. Furthermore, errors noted in fixed asset reports were not properly corrected.

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 Commission.

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.

COMMENTS AND RECOMMENDATIONS

1. Internal Control Over Receipts

A good internal control plan requires adequate policies and procedures to ensure no one individual is in a position to both perpetrate and conceal errors and irregularities.

The Commission has two offices, one located in Lincoln and the Law Enforcement Training Center (Center) located in Grand Island. During testing of the Commission's receipting procedures for both locations we noted the following:

Lincoln Office

- There were not adequate controls over monies received in the mail. The individuals opening the mail did not prepare an initial listing of monies received and checks were not restrictively endorsed for deposit immediately upon receipt. Furthermore, monies received were placed in an inbox of another staff person for up to three days prior to being restrictively endorsed and recorded as received. During testing we noted one of three deposits tested was not deposited within three business days in accordance with Neb. Rev. Stat. § 84-710 (Reissue 2008).

- One individual was responsible for preparing invoices, opening the mail containing cash receipts, and following up on outstanding accounts receivable. Furthermore, during testing we noted invoicing was not performed timely. We tested five invoices totaling $228, for services provided in October 2010 through February 2011. The invoices were not created until June 2011, four to eight months after services were provided.

- After April 2011, there was no documented secondary review of the Commission's general ledger report to cash receipts to ensure deposits were intact and proper.

Training Center

- Two individuals opened mail at the Center but did not create a listing or log of monies received. Instead the monies were put in a locked cabinet that five staff members had access to prior to the weekly deposit being made. Another individual then entered monies received into an excel spreadsheet which was not password protected and could be changed by any employee.

- The weekly deposits were compared to the excel spreadsheet but no other report from the Center's system was generated to ensure all monies received were properly deposited. Furthermore, the Center did not perform timely deposits in accordance with State statute. Deposits were only performed weekly.

- One individual was able to create and void invoices, followed up on outstanding accounts receivable, had access to the locked cabinet where monies received were kept prior to depositing, had access to the excel spreadsheet listing monies received, and recorded monies received in the accounting system.

COMMENTS AND RECOMMENDATIONS
(Continued)

1. Internal Control Over Receipts (Concluded)

Without adequate controls to ensure all monies received are properly deposited there is an increased risk of misappropriation of Commission funds.

> We recommend the Commission establish policies and procedures for an appropriate segregation of duties and timely processing of transactions to ensure all monies received are appropriate and properly deposited.

Commission's Response: We will reexamine our procedures for handling receipts in our Lincoln and Grand Island offices and make appropriate changes. It should be noted that the Lincoln office handles very small amounts of money.

2. Lack of Supporting Documentation

A good internal control plan and sound accounting practice require adequate documentation to ensure all transactions are supported and appropriate.

During testing of the Commission's expenditures and revenues we noted a lack of adequate supporting documentation as follows:

- 10 of 25 expenditures to subrecipients tested did not contain adequate documentation. 6 of the 10 were paid with Federal funds. The subrecipients only submitted quarterly cash reports summarizing the expenditures for the period. There was no detail provided to ensure the funds were allowable in accordance with OMB Circular A-87. Furthermore, OMB Circular A-133 § .400(d) requires a pass-through entity to "[m]onitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved." The expenditures totaled $961,774. A similar finding was noted during the Statewide Single Audit for the fiscal year ended June 30, 2011.

- 2 of 25 expenditures tested were paid to a State agency in accordance with a contract. The support for the payment only included a summary of the total expenditures made by the State agency. There was no detail to ensure the requirements of the contract were met. The expenditures totaled $1,203,257.

- 2 of 8 journal entries tested were prepared to allocate rent and depreciation expenses to different business units. The Commission did not have documentation to support how the allocations were determined. The documents totaled $54,085.

2. <u>Lack of Supporting Documentation</u> (Concluded)

- For revenue testing we noted 7 of 10 receipts and 3 of 7 journal entries were payments received from counties or other State agencies in accordance with statutory requirements. The Commission did not obtain supporting documentation to ensure the amounts received were proper and complete. The receipts totaled $123,315.
- 1 of 7 revenue journal entries tested was to close one of the Commission's funds and transfer 75% of the balance to the Victim's Compensation Fund and 25% to a Department of Correctional Services cash fund. The total amounts transferred were proper; however, the account coding allocation into the Victim's Compensation Fund was not proper and the Commission could not provide support for their calculations. The work release account was understated and the fines and penalties account was overstated by $530 each.

Without adequate supporting documentation there is an increased risk transactions performed by the Commission will not be proper. Furthermore, without adequate monitoring procedures there is an increased risk subrecipient expenditures will not be allowable per Federal requirements.

> We recommend the Commission maintain adequate documentation to support all transactions. We further recommend the Commission establish policies and procedures for the adequate monitoring of subrecipients. Monitoring should include reviews of supporting documentation for the expenditures reported on the quarterly cash reports to ensure expenditures are allowable and in accordance with Federal regulations.

Commission's Response: Wherever practicable and feasible we will improve our procedures for documenting receipts and expenditures. We make more than 1,000 payments each year to subgrantees. We have recently hired an in-house Financial Monitor who is responsible for monitoring subgrantees and collecting documentation at the time of the monitor. If the documentation is found to be insufficient then additional documentation will be required from the subgrantee as part of the corrective action plan. All subgrantees are monitored at least once every three years. New subgrantees are monitored during the first year of the program. Our grants staff also perform periodic program evaluations of our subgrantees.

Despite the addition of grant programs during the last several years, our grants and accounting staff has not increased. To collect invoices from all our subgrantees on a quarterly basis would entail sorting and examining 20,000 documents from over 400 active subgrantees. Our Financial Monitor staff person will collect and examine invoices while he or she is monitoring each subgrantee.

COMMENTS AND RECOMMENDATIONS
(Continued)

3. Cash Management

31 CFR § 205.33(a) (July 1, 2011) states, "A State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project. The timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. States should exercise sound cash management in funds transfers to subgrantees in accordance with OMB Circular A-102." Furthermore, a good internal control plan requires procedures to ensure the time between a drawdown of Federal funds and disbursement are minimized. The Auditor of Public Accounts (APA) considered 30 days to be a reasonable timeframe.

We were unable to verify three of five Federal draws tested, totaling $210,000, were paid out within 30 days. The Commission did not record grant activity to the specific grant in the State accounting system. Instead, activity was recorded to a Federal program for all grant years. To track activity for a specific grant, the Commission maintained an excel spreadsheet. As the grant years were not identified in the accounting system, we were unable to verify the spreadsheet activity was accurate. According to the Commission's spreadsheets, two of the three draws would have been expended within 30 days. The third draw tested had an ending balance on May 31, 2011, of $18,576. There were no payments in the accounting system in June 2011; therefore, it appears the draw would not have been expended within 30 days.

28 CFR § 66.20(b)(7) (July 1, 2011) states, "Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees." We performed testing of subrecipient disbursements and noted the Commission did not have adequate procedures to ensure advances to subrecipients and other State agencies were made as close as administratively feasible to actual cash outlay. Four of seven disbursements to subrecipients and other State agencies were not expended within 30 days according to the subrecipients' quarterly reporting of balances on hand.

Without adequate policies and procedures to ensure cash draws are necessary to meet cash needs Federal funds will be drawn down earlier than required. A similar finding was noted during the prior examination for the fiscal year ended June 30, 2006, and during the Statewide Single Audit for the fiscal year ended June 30, 2011.

> We recommend the Commission ensure compliance with Federal regulations by establishing procedures to ensure drawdowns are only made for immediate cash needs and ensure advances to subrecipients and other State agencies are as close as administratively feasible to actual cash outlay. Furthermore, we recommend the Commission implement procedures to ensure Federal expenditures are recorded by grant in the accounting system.

3. Cash Management (Concluded)

Commission's Response: We will examine our procedures with a goal of ensuring that all subgrant payments post to the general ledger prior to the end of the month. We will also explore the possibility of DAS Accounting doing drawdowns for us on a more frequent basis when we switch to unique business units for each grant award (see audit point 4).

4. Federal Reporting

45 CFR § 92.20(a) (October 1, 2011) states, "A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to – (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes."

A good internal control plan requires procedures be in place to ensure the amounts reported on the Federal financial reports are accurate and adequately supported.

We tested the quarter ended December 31, 2011, Federal financial report (FFR) for the 2010 Victims of Crime Act (VOCA) grant and noted the following:

- The total grant expenditures could not be traced to the accounting system. The VOCA program was assigned a business unit in the accounting system; however, each grant year was not separately identified. Therefore, it was not possible to verify which grant year expenditures were for.
- The required match was not calculated correctly. According to the VOCA Final Program Guidelines, the match required for VOCA grants was 20% of the total project cost for aid. The 2010 VOCA total project cost for aid was $3,232,685. The 20% match required was $646,537; however, the amount reported was $581,103.
- The supporting documentation for match expenditures was not adequate. Match expenditures were provided by subrecipients and were reported to the Commission through quarterly reports. The reports did not include adequate supporting documentation to ensure the match expenditures were allowable in accordance with Federal regulations.
- The Commission recorded and reported subrecipient matching expenditures from their Grants Management Information System (GMIS). According to the system and what was reported on the FFR, match expenditures totaled $981,158. We obtained the subrecipients' quarterly reports to verify the figure in the GMIS system was accurate and only calculated $800,979 in match expenditures. Therefore, match expenditures were over-reported by $180,179.

4. Federal Reporting (Concluded)

We also tested the 2009 ARRA Justice Assistance Grant (JAG) 1512 report for the quarter ended December 31, 2011, and noted the ARRA receipts were under-reported by $1,300,000 and expenditures were over-reported by $131,855.

A similar finding was noted during the Statewide Single Audit for the fiscal year ended June 30, 2011.

> We recommend the Commission ensure reported amounts are accurate and adequately supported. We further recommend the Commission identify expenditures by grant in the accounting system.

Commission's Response: We were monitored within the last 30 days by federal financial staff from the Department of Justice and no major deficiencies were found in our financial reporting system. We have never over-expended any of our grant awards or misspent funds on non-budgeted items.

In an effort to make our expenditures easier to trace to the state accounting system, we will give each new grant award a unique business unit and we will start using the grant reporting system.

5. Federal Noncompliance

A good internal control plan and the Office of Management and Budget (OMB) Circular A-133 § .300 requires the auditee to "[m]aintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

During testing of Federal receipts and expenditures we noted the following:

- Three business units in the accounting system did not have the correct Catalog of Federal Domestic Assistance (CFDA) number recorded. The accounting system was used to prepare the Schedule of Expenditures of Federal Awards (SEFA) in compliance with OMB Circular A-133 § .310. Without adequate information contained in the accounting system, the SEFA could be improperly reported. The four payments tested from the three business units totaled $151,765.

- Four of nine expenditures tested did not have documentation that the Commission verified the individuals or businesses were not suspended or debarred in compliance with 2 CFR § 180.300 (January 1, 2011).

COMMENTS AND RECOMMENDATIONS
(Continued)

5. Federal Noncompliance (Concluded)

- OMB Circular A-133 § .400(d) required the Commission to identify to each subrecipient the Federal award name and number, CFDA title and number, and the name of the Federal agency. Four of five subrecipients tested were only made aware of the CFDA number. One of five was not made aware of any of the Federal requirements as the Commission improperly treated the payments as contractual services instead of aid. A similar finding was noted during the Statewide Single Audit for fiscal year ended June 30, 2011.

- 2 CFR § 176.210 (January 1, 2011) required the Commission to inform ARRA subrecipients of the Federal award number, CFDA number, and amount of Recovery Act funds at the time of the subaward and at the time of disbursement of funds, and to identify the ARRA expenditures on the SEFA and the Data Collection Form. Both ARRA subrecipients tested were not informed of the Federal requirements with the exception of the CFDA number at the time of the subaward. A similar finding was noted during the Statewide Single Audit for the fiscal year ended June 30, 2011.

- OMB Circular A-133 § .400(d) required the Commission, as the pass through entity, to ensure subrecipients expending $500,000 or more in Federal awards have an A-133 audit. The Commission was required to obtain the required audits, perform a review, and follow-up on audit findings within six months. During testing of five subrecipients, we noted the Commission did not have an A-133 audit on file for three subrecipients and did not have documentation the subrecipient was not required to have an audit. The Commission had an A-133 audit on file for two subrecipients but did not document their review.

Without adequate policies and procedures to ensure compliance with Federal requirements there is an increased risk of material noncompliance with Federal regulations.

> We recommend policies and procedures are implemented to ensure Federal compliance requirements are met including: procedures to ensure A-133 audits are obtained and reviewed; verify suspension and debarment requirements; communicate Federal requirements to subrecipients; and ensure information in the accounting system is proper.

Commission's Response: In order to ensure compliance with A-133 audits, the Crime Commission has created a tracking system in our Grants Management Information System to allow a more accurate documentation trail for all A-133 audits received. Effective immediately, prior to our agency sending out any grant awards, the sub-recipient must have a current audit on file or a letter indicating that they are not required to have an audit. We will also create better procedures to verify suspension and debarment requirements and communicate Federal requirements to sub-recipients. We will verify the CFDA number at the time we create the new business unit.

COMMENTS AND RECOMMENDATIONS
(Continued)

6. Internal Control Over Fixed Assets

A good internal control plan requires adequate policies and procedures to ensure no one individual is in a position to both perpetrate and conceal errors and irregularities. A good internal control plan also requires an adequate review of system reports to ensure transactions are proper.

During our review of fixed assets we noted there was a lack of segregation of duties. One individual was responsible for the addition and deletion of fixed assets in the system, performed the physical inventory, and reviewed reports from the system. There was not a review of system reports by a separate individual to ensure transactions were proper. The Commission had fixed assets totaling $768,357 at December 31, 2011.

Furthermore, procedures to review reports were not adequate as the Commission did not follow up on errors noted in the fixed asset integrity reports. Two of three assets had no cost entered in the system and four of five assets had been incorrectly recorded to a fixed asset account code. The errors were not corrected until brought to the Commission’s attention during the examination.

Without a proper segregation of duties and separate review of fixed asset reports, there is an increased risk of loss or misuse of Commission assets. Furthermore, there is an increased risk asset records are not complete and accurate in the accounting system.

> We recommend the Commission establish procedures to ensure an adequate segregation of duties exists for fixed assets. This would include a documented review of the fixed asset reports by someone separate from the individual maintaining the fixed asset records. We also recommend the Commission follow up on errors noted on the reports.

Commission’s Response: We will assign an individual from our Accounting Division who is separate from the individual maintaining the fixed asset records to review and sign the auditor’s fixed asset listing.

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 COMMISSION ON LAW ENFORCEMENT
AND CRIMINAL JUSTICE

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Commission on Law Enforcement and Criminal Justice
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Commission on Law Enforcement and Criminal Justice (Commission) for the calendar year ended December 31, 2011. 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 Commission for the calendar year ended December 31, 2011, 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 balances 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 balances 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 balances or on compliance and other matters; accordingly we express no such opinions. Our examination disclosed no findings that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information and use of management, the 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.

SIGNED ORIGINAL ON FILE

May 10, 2012

Mike Foley
Auditor of Public Accounts

NEBRASKA COMMISSION ON LAW ENFORCEMENT AND CRIMINAL JUSTICE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Calendar Year Ended December 31, 2011

	General Fund 10000	Victim's Compensation Fund 27800	Law Enforcement Improvement Fund (LEIF) 27810	Nebraska Law Enforcement Training Center Fund 27820	Comm Corr Uniform Data Analysis Fund 27850
REVENUES:					
Appropriations	$9,363,811	$ -	$ -	$ -	$ -
Intergovernmental	-	-	-	8,839	-
Sales & Charges	-	-	7,388	127,815	-
Miscellaneous	8,499	193,745	516,767	50,846	465,548
TOTAL REVENUES	9,372,310	193,745	524,155	187,500	465,548
EXPENDITURES:					
Personal Services	1,808,066	-	162,328	139,128	65,516
Operating	5,445,339	-	176,404	-	239,524
Travel	43,974	-	8,037	-	283
Capital Outlay	-	-	47,696	-	-
Government Aid	2,066,432	31,271	-	-	-
TOTAL EXPENDITURES	9,363,811	31,271	394,465	139,128	305,323
Excess (Deficiency) of Revenues Over/(Under) Expenditures	8,499	162,474	129,690	48,372	160,225
OTHER FINANCING SOURCES (USES):					
Sales of Assets	54	-	294	-	-
Deposit to the State General Fund	(8,571)	-	-	-	-
Operating Transfers In	-	-	-	-	-
Operating Transfers Out	-	-	(12,073)	(16,228)	(210,682)
TOTAL OTHER FINANCING SOURCES (USES)	(8,517)	-	(11,779)	(16,228)	(210,682)
Net Change in Fund Balances	(18)	162,474	117,911	32,144	(50,457)
FUND BALANCES, JANUARY 1, 2011	1,750	57,322	315,151	500,354	1,004,727
FUND BALANCES, DECEMBER 31, 2011	$ 1,732	$ 219,796	$ 433,062	$ 532,498	$ 954,270
FUND BALANCES CONSIST OF:					
General Cash	$ -	$ 219,796	$ 432,521	$ 532,517	$ 954,425
Petty Cash	-	-	275	-	-
Insufficient Fund Items	-	-	100	-	-
Deposits with Vendors	1,974	-	100	-	-
Accounts Receivable Invoiced	-	-	66	130	-
Due From Other Government	-	-	-	-	-
Due to Vendors	-	-	-	-	-
Due to Fund	(242)	-	-	(149)	-
Due to Government	-	-	-	-	(155)
TOTAL FUND BALANCES	$ 1,732	$ 219,796	$ 433,062	$ 532,498	$ 954,270

The accompanying notes are an integral part of the schedule. (Continued)

NEBRASKA COMMISSION ON LAW ENFORCEMENT AND CRIMINAL JUSTICE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Calendar Year Ended December 31, 2011

	Violence Prevention Cash Fund 27870	Nebraska Crime Victim Fund 27880	Crime Commission Federal Fund 47810	Juvenile Accountability Fund 47820	Justice Assistance Grant Fund 47830	**Totals (Memorandum Only)**
REVENUES:						
Appropriations	$ -	$ -	$ -	$ -	$ -	$ 9,363,811
Intergovernmental	-	-	11,060,147	-	-	11,068,986
Sales & Charges	-	-	-	-	-	135,203
Miscellaneous	15,500	(11,951)	-	21,297	2,838	1,263,089
TOTAL REVENUES	15,500	(11,951)	11,060,147	21,297	2,838	21,831,089
EXPENDITURES:						
Personal Services	-	-	401,910	14,330	6,726	2,598,004
Operating	-	-	1,446,285	29,035	5,679	7,342,266
Travel	-	-	33,230	-	1,410	86,934
Capital Outlay	-	-	4,089	-	-	51,785
Government Aid	149,224	-	9,084,959	464,603	10,000	11,806,489
TOTAL EXPENDITURES	149,224	-	10,970,473	507,968	23,815	21,885,478
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(133,724)	(11,951)	89,674	(486,671)	(20,977)	(54,389)
OTHER FINANCING SOURCES (USES):						
Sales of Assets	-	-	-	-	-	348
Deposit to the State General Fund	-	-	-	-	-	(8,571)
Operating Transfers In	200,000	-	-	-	-	200,000
Operating Transfers Out	-	-	-	-	-	(238,983)
TOTAL OTHER FINANCING SOURCES (USES)	200,000	-	-	-	-	(47,206)
Net Change in Fund Balances	66,276	(11,951)	89,674	(486,671)	(20,977)	(101,595)
FUND BALANCES, JANUARY 1, 2011	499,927	11,951	106,678	903,465	111,922	3,513,247
FUND BALANCES, DECEMBER 31, 2011	$ 566,203	$ -	$ 196,352	$ 416,794	$ 90,945	$ 3,411,652
FUND BALANCES CONSIST OF:						
General Cash	$ 580,908	$ -	$ 196,377	$ 416,794	$ 90,945	$ 3,424,283
Petty Cash	-	-	-	-	-	275
Insufficient Fund Items	-	-	-	-	-	100
Deposits with Vendors	-	-	-	-	-	2,074
Accounts Receivable Invoiced	-	-	-	-	-	196
Due From Other Government	-	-	(25)	-	-	(25)
Due to Vendors	(14,705)	-	-	-	-	(14,705)
Due to Fund	-	-	-	-	-	(391)
Due to Government	-	-	-	-	-	(155)
TOTAL FUND BALANCES	$ 566,203	$ -	$ 196,352	$ 416,794	$ 90,945	$ 3,411,652

The accompanying notes are an integral part of the schedule. (Concluded)

NEBRASKA COMMISSION ON LAW ENFORCEMENT
AND CRIMINAL JUSTICE

NOTES TO THE SCHEDULE

For the Calendar Year Ended December 31, 2011

1. Criteria

The accounting policies of the Nebraska Commission on Law Enforcement and Criminal Justice (Commission) 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 balances 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 December 31, 2011, include only those payables posted in the general ledger before December 31, 2011, and not yet paid as of that date. The amount recorded as expenditures as of December 31, 2011, **does not** include amounts for goods and services received before December 31, 2011, which had not been posted to the general ledger as of December 31, 2011.

Other liabilities are recorded in accounts titled Due to Fund and Due to Government 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. The Commission had no accounts receivable at December 31, 2011. 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 Commission are:

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

1. Criteria (Continued)

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 – accounts 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.

The major revenue account classifications established by State Accounting and 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.

The major expenditure account classifications established by State Accounting and 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.

NOTES TO THE SCHEDULE
(Continued)

1. **Criteria** (Concluded)

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 have 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 the fund balance on the schedule. Cash accounts and 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 liabilities recorded in the general ledger for the Commission's funds at December 31, 2011, included amounts recorded in Due to Fund and Due to Government. The activity of these accounts are not recorded through revenue and expenditure accounts on the Schedule of Revenues, Expenditures, and Changes in Fund Balances.

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

2. **Reporting Entity**

The Nebraska Commission on Law Enforcement and Criminal Justice 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 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.

NOTES TO THE SCHEDULE
(Continued)

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 $1,500 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. Substantially all initial building costs, land and land improvements are capitalized. Building improvements and renovations are capitalized if a substantial portion of the life of the asset has expired and if the useful life of the asset has been extended as a result of the renovation or improvement. 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 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 calendar year ended December 31, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets				
Equipment	$ 743,046	$ 42,200	$ 16,889	$ 768,357
Less accumulated depreciation for:				
Equipment				619,712
Total capital assets, net of depreciation*				$ 148,645

**Note: The depreciation noted in the table above was calculated in the accounting system through September 30, 2011. Depreciation for October through December was not run in the accounting system until the beginning of calendar year 2012.*

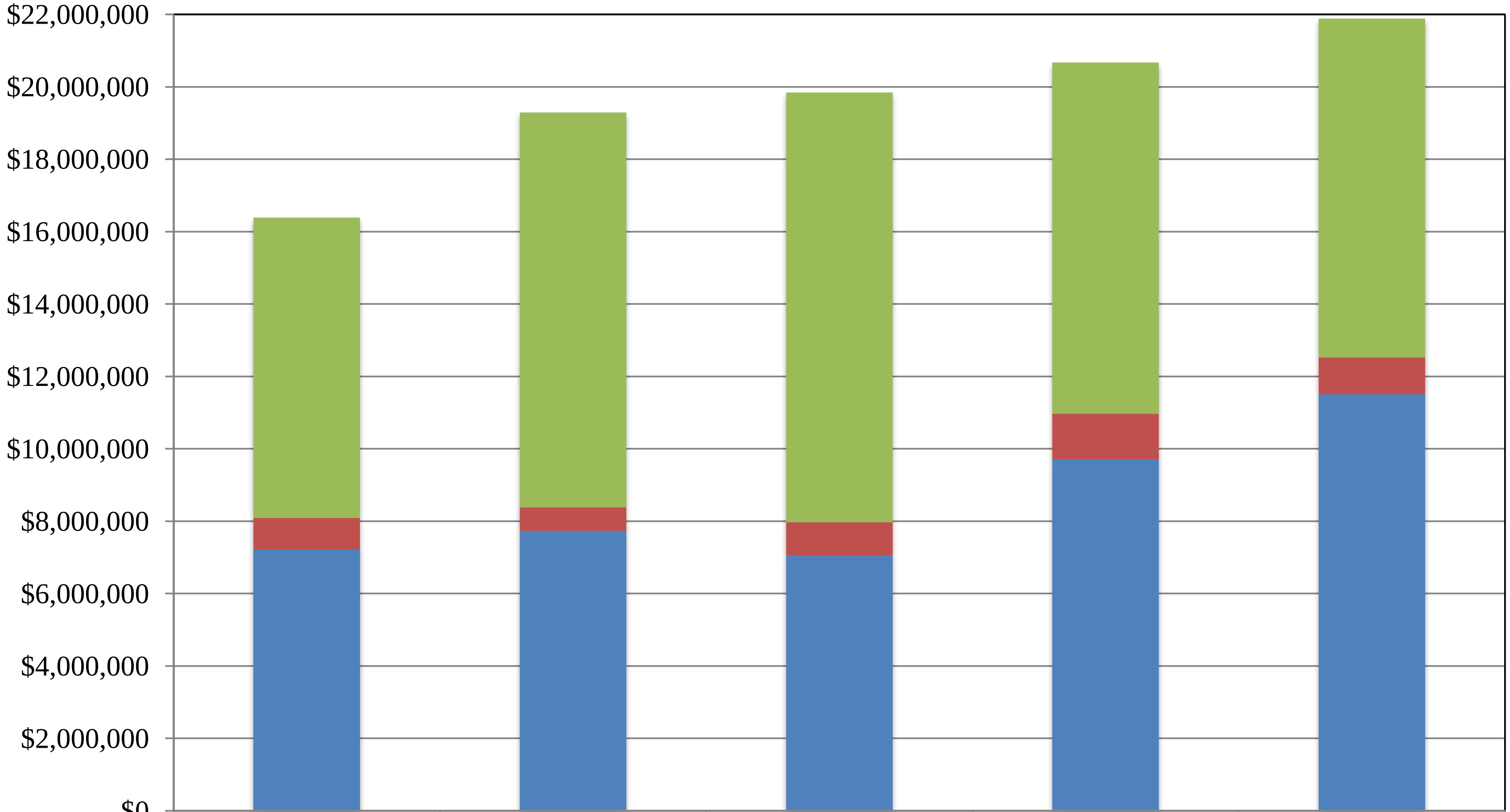
SUPPLEMENTARY INFORMATION

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

NEBRASKA COMMISSION ON LAW ENFORCEMENT AND CRIMINAL JUSTICE

EXPENDITURES BY FUND TYPE

For the Calendar Years Ended December 31, 2007 through 2011

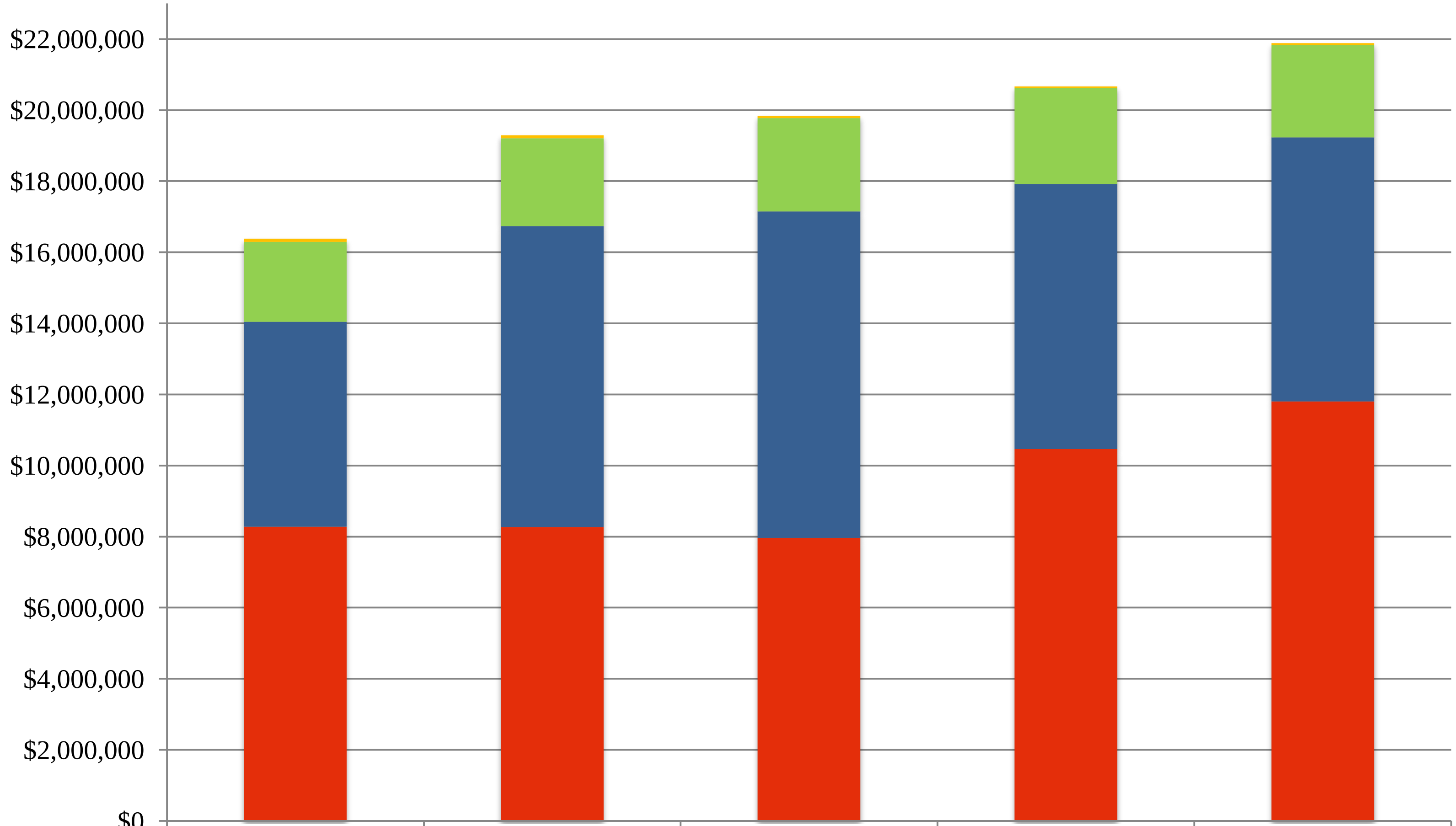


	2007	2008	2009	2010	2011
General	$8,294,441	$10,911,321	$11,879,571	$9,697,771	$9,363,811
Cash	$879,262	$645,806	$922,397	$1,267,715	$1,019,411
Federal	$7,212,528	$7,735,222	$7,044,323	$9,703,665	$11,502,256

NEBRASKA COMMISSION ON LAW ENFORCEMENT AND CRIMINAL JUSTICE

EXPENDITURES BY MAJOR OBJECT ACCOUNT

For the Calendar Years Ended December 31, 2007 through 2011

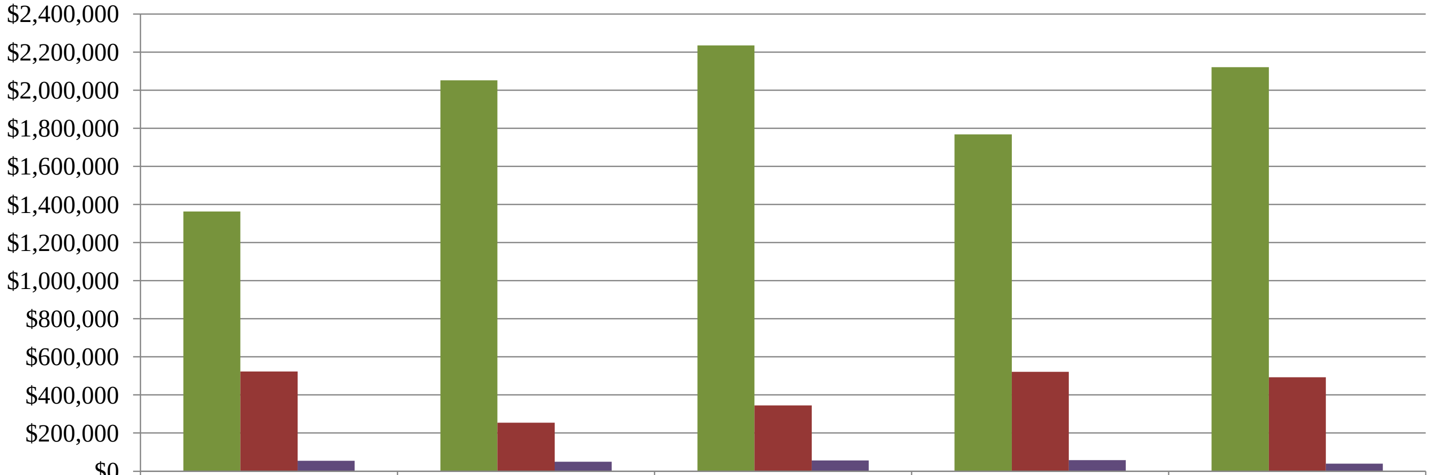


	2007	2008	2009	2010	2011
Capital Outlay	$96,161	$82,729	$73,259	$44,221	$51,785
Personal Services	$2,245,234	$2,469,133	$2,625,671	$2,697,644	$2,598,004
Operating & Travel	$5,770,701	$8,471,827	$9,184,167	$7,465,407	$7,429,200
Government Aid	$8,274,135	$8,268,659	$7,963,194	$10,461,878	$11,806,489

NEBRASKA COMMISSION ON LAW ENFORCEMENT AND CRIMINAL JUSTICE

LAW ENFORCEMENT TRAINING CENTER EXPENDITURES BY FUND TYPE

For the Calendar Years Ended December 31, 2007 through 2011



	2007	2008	2009	2010	2011
General	$1,363,189	$2,051,395	$2,234,297	$1,768,463	$2,120,038
Cash	$523,284	$254,675	$346,058	$521,480	$492,268
Federal	$55,468	$48,905	$55,706	$58,703	$39,995

	2007	2008	2009	2010	2011
Total Program	$ 1,941,941	$ 2,354,975	$ 2,636,061	$ 2,348,646	$ 2,652,301
% General Funded	70%	87%	85%	75%	80%
% Law Enforcement Improvement Fund (LEIF) Funded	21%	9%	10%	13%	13%
% Federal Funded	3%	2%	2%	3%	2%
% Tuition and Other	6%	2%	3%	9%	5%

Note 1: Per Neb. Rev. Stat. § 81-1429 (Cum. Supp. 2010), a Law Enforcement Fund fee of two dollars shall be taxed as costs in each criminal proceeding, including traffic infractions and misdemeanors, filed in all courts of this State for violations of State law or city or village ordinances.

Note 2: Per Neb. Rev. Stat. § 81-1413 (Cum. Supp. 2010), tuition, fees, and such other expenses incurred in the pre-certification and certification training of applicants shall be the responsibility of the person or his or her employing agency. Such expenses also may be financed by the training center through other appropriated funds as determined by the Nebraska Police Standards Advisory Council.