

**ATTESTATION REPORT  
OF THE  
STATE OF NEBRASKA  
OFFICE OF THE LIEUTENANT GOVERNOR  
JULY 1, 2011 THROUGH JUNE 30, 2012**

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**Issued on August 29, 2012**

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*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 LIEUTENANT GOVERNOR

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STATE OF NEBRASKA  
OFFICE OF THE LIEUTENANT GOVERNOR

**BACKGROUND**

The Constitution of 1875 made the first provisions for a Lieutenant Governor. Since a Constitutional Amendment in 1972, the Lieutenant Governor has served in a full-time capacity.

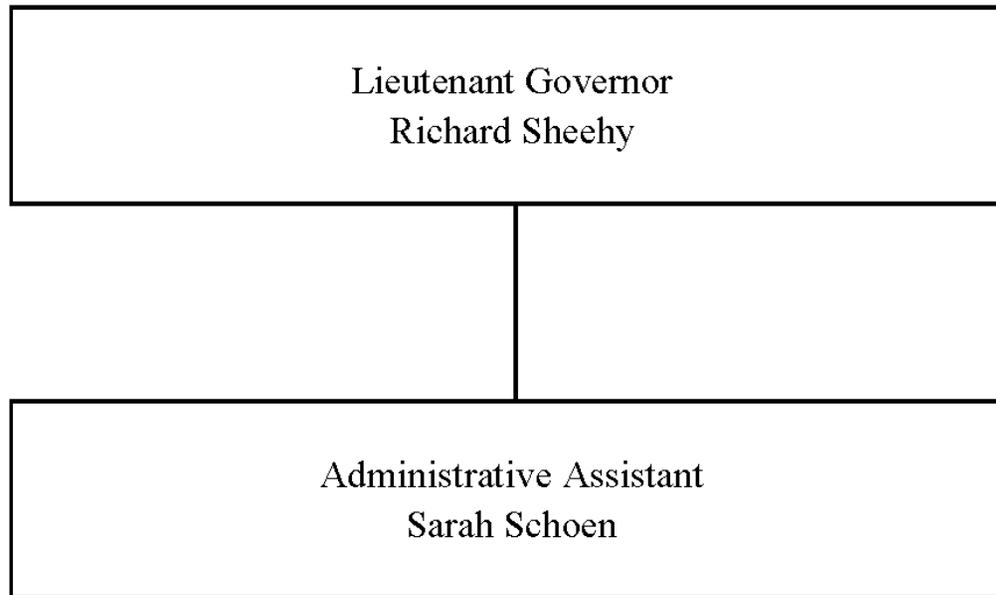
The duties of the Lieutenant Governor include serving on various boards and commissions, as directed by the Governor, acting as Governor during the Governor's absence from the State, serving as presiding officer of the Legislature, and performing other duties as assigned by the Governor.

Richard Sheehy was appointed Lieutenant Governor in 2005 and was elected in 2006. He was re-elected in 2010.

In addition to the Lieutenant Governor, an administrative assistant was employed to carry out the duties of the Office of the Lieutenant Governor (Office).

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**ORGANIZATIONAL CHART**



STATE OF NEBRASKA  
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**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 Lieutenant Governor were:

<b>NAME</b>	<b>TITLE</b>
Larry Bare	Governor's Chief of Staff
Sarah Schoen	Lt. Governor's Administrative Assistant
Betty Hladky	DAS – Budget Division Business Manager
Susie Voecks	DAS – Central Services Payroll Officer

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**SUMMARY OF COMMENTS**

During our examination of the Office of the Lieutenant 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 following areas:

1. ***Lack of Segregation of Duties Over Expenditures:*** One person had the ability to prepare, approve, and post their own batches.
2. ***Certification of Time Worked:*** An employee 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 Lieutenant 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 LIEUTENANT 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 one individual was authorized in EnterpriseOne, the State's accounting system, to prepare, approve, and post their own batches. For seven expenditure transactions tested, we did not identify any instances where this individual 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 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.

We noted one individual did not complete a timesheet or assert that they worked forty hours each week. The employee was required to complete leave slips documenting the hours of vacation or sick leave used.

STATE OF NEBRASKA  
OFFICE OF THE LIEUTENANT GOVERNOR  
**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: The Lieutenant Governor's Administrative Assistant does not maintain a timesheet 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 LIEUTENANT GOVERNOR

### INDEPENDENT ACCOUNTANT'S REPORT

Office of the Lieutenant Governor  
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balance of the Office of the Lieutenant 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 Lieutenant 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 28, 2012

Mike Foley  
Auditor of Public Accounts

STATE OF NEBRASKA  
OFFICE OF THE LIEUTENANT 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	\$ 130,421
TOTAL REVENUES	130,421
EXPENDITURES:	
Personal Services	115,470
Operating	5,136
Travel	9,815
TOTAL EXPENDITURES	130,421
Excess (Deficiency) of Revenues Over (Under) Expenditures	-
OTHER FINANCING SOURCES (USES):	
Sales of Assets	9
Deposit to General Fund	(9)
TOTAL OTHER FINANCING SOURCES (USES)	-
Net Change in Fund Balances	-
FUND BALANCE, JULY 1, 2011	46
FUND BALANCE, JUNE 30, 2012	\$ 46
FUND BALANCE CONSISTS OF:	
Deposits with Vendors	\$ 46
TOTAL FUND BALANCE	\$ 46

The accompanying notes are an integral part of the schedule.

STATE OF NEBRASKA  
OFFICE OF THE LIEUTENANT GOVERNOR

**NOTES TO THE SCHEDULE**

For the Fiscal Year Ended June 30, 2012

**1. Criteria**

The accounting policies of the Office of the Lieutenant 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 balance.

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 classification established by State Accounting used by the Office is:

**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  
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**NOTES TO THE SCHEDULE**  
(Continued)

**1. Criteria** (Concluded)

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.

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 Lieutenant 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 Lieutenant Governor is part of the primary government for the State of Nebraska.

STATE OF NEBRASKA  
OFFICE OF THE LIEUTENANT GOVERNOR

**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 LIEUTENANT GOVERNOR  
**SCHEDULE OF EXPENDITURES**  
For the Years Ended June 30, 2008 through June 30, 2012

