



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Mike Foley  
State Auditor

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February 10, 2014

Ginger Willson, Director  
Nebraska Energy Office  
521 S. 14<sup>th</sup> Street, Suite 300  
Lincoln, Nebraska 68509-5085

Dear Ms. Willson:

We have audited the basic financial statements of the State of Nebraska (State) as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and have issued our report thereon dated December 30, 2013. In planning and performing our audit, we considered the State's internal control over financial reporting (internal control) as a basis for designing audit procedures for the purpose of expressing our opinions on the basic financial statements of the State, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

In connection with our audit described above, we noted a certain internal control or compliance matter related to the activities of the Nebraska Energy Office (Agency) or other operational matters that is presented below for your consideration. The comment and recommendation, which has been discussed with the appropriate members of the Agency's management, is intended to improve internal control or result in other operating efficiencies.

Our consideration of internal control included a review of prior year comments and recommendations. To the extent the situations that prompted the recommendations in the prior year still exist, they have been incorporated in the comment presented for the current year. All other prior year comments and recommendations (if applicable) have been satisfactorily resolved.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

Draft copies of this letter were furnished to the Agency to provide management with an opportunity to review and to respond to the comment and recommendation contained herein. All formal responses received have been incorporated into this letter. Where no response has been included, the Agency declined to respond.

The following is our comment and recommendation for the year ended June 30, 2013.

**Loan Balance Reconciliation Variance**

A good internal control plan and sound accounting practice require variances, identified during reconciliation procedures, to be researched and corrected in a timely manner.

Since fiscal year 2007, the Agency has identified a \$4,412 variance between the State's accounting system and the Dollar and Savings loan database used to track the loans. Per discussions with the Agency, a variance was first identified in 2004 when the loan database was created. The variance has remained the same since 2007, and the Auditor of Public Accounts has discussed the variance with the Agency annually. However, the Agency has not taken remedial action to correct the database understatement.

When variances are identified during reconciliation procedures, but action is not taken to correct or research the differences, there is an increased likelihood of errors or abuse.

We recommend the Agency research the variance and make adjustments as necessary to correct the difference.

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Our audit procedures are designed primarily on a test basis and, therefore, may not bring to light all weaknesses in policies or procedures that may exist. Our objective is, however, to use our knowledge of the Agency and its interaction with other State agencies and administrative departments gained during our work to make comments and suggestions that we hope will be useful to the Agency.

This communication is intended solely for the information and use of management, the Governor and State Legislature, and others within the Agency and is not intended to be, and should not be, used by anyone other than these specified parties. However, this communication is a matter of public record, and its distribution is not limited.

**SIGNED ORIGINAL ON FILE**

Pat Reding, CPA, CFE  
Assistant Deputy Auditor