ATTESTATION REPORT
OF THE
NEBRASKA PUBLIC SERVICE COMMISSION

JANUARY 1, 2014 THROUGH DECEMBER 31, 2014

Issued on May 8, 2015

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NEBRASKA PUBLIC SERVICE COMMISSION

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BACKGROUND

The Nebraska Public Service Commission (Commission) is a constitutionally created executive body established under Article IV, Section 20, of the Nebraska Constitution. The Commission is comprised of five elected Commissioners serving six-year terms. The Commission was initially created by the Legislature in 1885 to regulate railroads, but it was not firmly established until the passage of a constitutional amendment in 1906 creating a three-member elected Railway Commission. Membership was increased to five Commissioners in 1964, and the State was divided into five districts, each to elect a commissioner. The name was changed to the current Public Service Commission by a general election vote in 1972. The following are the current Commissioners:

Frank Landis	First District
Crystal Rhoades	Second District
Tim Schram, Vice Chairperson	Third District
Rod Johnson	Fourth District
Gerald L. Vap, Chairperson	Fifth District

Constitutional and specific statutory authority empower the Commission to regulate telecommunications companies, privately owned natural gas utilities, siting of major oil pipelines, rates for private water companies, intrastate transportation of household goods and passengers, grain dealers and warehouses, and the manufacture and sale of manufactured homes, modular housing units, and recreational vehicles.

The Commission administers the Nebraska Relay System, the Nebraska Internet Enhancement Fund, the Nebraska Competitive Telephone Marketplace Fund, the Nebraska Universal Service Fund (NUSF), and the Wireless Enhanced 911 (E911) Fund. In addition, grain is tested for moisture content, grain probes are tested for proper functioning, the location of electrical transmission lines is evaluated for safety and non-interference with other utilities, railcars are inspected, and railroad accidents investigated.

The Transportation Department regulates the rates, service, territory, safety, and insurance of household goods and passenger carriers, as well as railroad locomotive safety.

The Telecommunications Department regulates telephone companies' basic local service rates and access charges, boundary limitations, entry into and out of the Nebraska telecommunications market, and subscriber complaints against telephone companies. The department also has oversight of the operation of the Nebraska Relay Service.

The Grain Department regulates the licensing of grain warehouses and dealers, grain probes, and moisture meter testing. Neb. Rev. Stat. § 88-547 (Reissue 2014) allows the Commission to close a warehouse under certain circumstances and take title to all grain stored in the warehouse at that time in trust for distribution to valid owners, depositors, or storers of grain.

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The Housing and Recreational Vehicle Department regulates the construction of manufactured homes, modular housing units, and recreational vehicles through plan review, factory production line inspection, dealer lot inspection, and consumer complaint investigation.

The Natural Gas Department regulates the rate and service quality of investor-owned natural gas public utilities.

The Nebraska Telecommunications Infrastructure and Public Safety (NTIPS) Department is responsible for the administration of the NUSF, the E911 Fund, and the Nebraska Telephone Assistance (NTAP) programs. The NUSF was established to ensure all Nebraskans have access to quality telecommunications services at affordable and comparable rates. To accomplish this goal, the Commission has created three programs within the NUSF: High-Cost Program, which seeks to make telecommunications and information rates generally affordable and comparable across Nebraska; NTAP, which provides discounted rates to qualifying low-income Nebraskans; and the Rural Tele-Health Program, which supports the provision of telecommunications services to a statewide tele-health network.

The Commission, by order and after public hearing, maintained the NUSF surcharge at 6.95 percent of in-state retail telecommunications revenue for calendar year 2014. The Commission determines assessable services through the use of Federal Communications Commission (FCC) universal service definitions in order to reduce the amount of duplicate administrative work for telecommunications providers. The following specific categories of services are subject to NUSF: local exchange service, including connection charges, and extended area services; wireless services, including activation, message charges, and prepaid wireless sales and activation; interexchange services, including prepaid calling cards; interconnected voice over the internet protocol (VoIP) services; and radio paging services.

The Wireless Enhanced 911 Fund was established to regulate wireless enhanced 911 services, which allows 911 call centers to identify and locate emergency calls originating from wireless phones. Financial assistance is provided to Public Safety Answering Points (PSAPs) and wireless carriers for the implementation and on-going costs of Phase I and Phase II wireless 911. When Phase I has been implemented, a wireless 911 call will come into a PSAP with the wireless phone's call back number and the location of the wireless tower that received the call. Phase II allows call-takers to receive both the caller's wireless phone number and his or her specific location by latitude and longitude. A 45 cent surcharge is collected for each wireless subscriber with a billing address in Nebraska, per month.

EXIT CONFERENCE

An exit conference was held April 16, 2015, with the Nebraska Public Service Commission (Commission) to discuss the results of our examination. Those in attendance for the Commission were:

NAME	TITLE
Sue Vanicek	NTIPS Director
Mark Luttich	Housing Director
Mike Bartels	Deputy Director – Grain
Tim Schram	Commissioner Vice Chair
Gerald L. Vap	Commissioner Chair
Steve Meradith	Executive Director
Shana Knutson	General Counsel
Brenda Wicken	Business Manager

SUMMARY OF COMMENTS

During our examination of the Nebraska Public Service Commission (Commission), we noted certain deficiencies 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 following areas:

1. ***Excessive Cash Fund Balance:*** The Enhanced Wireless 911 Fund had a balance of $17,155,189 at December 31, 2014. Fund disbursements for the year totaled $8,013,512.

2. ***Enhanced 911 (E911) Disbursements:*** A Local Exchange Carrier was underpaid from March 25, 2011, through December 31, 2014, totaling $364,460. An additional $25,330 is due to the Nebraska Universal Service Fund (NUSF) as a result of the error. Finally, four Public Safety Answering Points (PSAPs) were overpaid a total of $30,640.

3. ***E911 Late Application Penalty:*** PSAPs who filed their annual application late were penalized 1/11th of their annual funding allocation. Four penalties were assessed for the fiscal year 2014 allocation totaling $17,095. The penalty was inconsistently applied, and there was no support relating the cost of handling late applications to the penalties assessed.

4. ***E911 Audits:*** Annual supporting documentation for expenditures, submitted by PSAPs, was not audited in a timely manner. The majority of fiscal year 2012 and 2013 audits were not completed as of December 31, 2014.

5. ***Nebraska Universal Service Fund Remittances:*** Surcharges were remitted quarterly, when monthly remittances were required. Fees for late remittances were not properly assessed. An insufficient funds (NSF) fee charged by the State Treasurer was not passed on to the company that caused the NSF transaction.

6. ***Qwest NUSF-7 Loan:*** There was no loan document, signed agreement, or support for the terms of a $22,163,877 loan to Qwest originating in fiscal years 2006 and 2007. The outstanding loan balance at December 31, 2014, was $4,084,599.

7. ***Nebraska Universal Service Fund Procedures:*** NUSF disbursements were posted on the last State business day of the month, a violation of Commission rules and regulations. No attestation engagement was performed for 3 of 15 telecommunications carriers tested, and one engagement was not submitted before the December 31st due date.

8. ***Track Safety Inspections:*** The Commission was not in compliance with Neb. Rev. Stat. § 75-401 (Reissue 2009), which requires, among other things, the enforcement of Federal railroad safety standards.

9. ***Grain Securities:*** Two licensed grain dealers tested did not have an adequate amount of pledge securities filed with the Commission, per State statute.

SUMMARY OF COMMENTS
(Continued)

10. ***Payroll and Expenditures Allocation:*** Payroll and operating expenditures allocated across multiple programs and funds were based on a biennial estimate of time worked and included hours for unfilled positions. No comparison or adjustments were made based on actual hours worked.

11. ***Employee Leave Balances:*** One employee's vacation leave balance was not lapsed at December 31st to the maximum carryover of 280 hours. Leave had not been lapsed going back to 2006. At December 31, 2014, seven employees carried over more than 24 hours of compensatory leave without documented approval.

12. ***Travel Reimbursements:*** One employee had an unreasonable amount for meals totaling $151 reimbursed by the Commission. There was not proper supporting documentation for $225 of miscellaneous expenses reimbursed by the Commission.

13. ***Payroll Procedures:*** Employee timesheets were not approved by a supervisor. There was no review of the final payroll register after payroll was posted by DAS. Timesheets where only leave was recorded did not include a certification that the employee worked or used leave for at least 40 hours each week. Flex time earned and used by exempt employees was not documented on timesheets.

14. ***Federal Fund Payroll:*** Payroll allocations for Federal funds were reviewed every six months instead of quarterly. One employee had a portion of his pay allocated to Federal funds for each pay period during calendar year 2014; however, no actual hours worked on the Federal grant were recorded during that time period.

15. ***Contracts:*** Commission contracts were not available on the State's website in a timely manner. Weekly reports of contracts needing to be uploaded were not sent by the Department of Administrative Services.

16. ***Parking Expenditures:*** The Commission paid $1,120 during calendar year 2014 to hold parking passes for vacant employment positions. The amount due for June 2014 parking passes, but paid in July, was not properly coded as a prior year obligation.

17. ***Address Book Records:*** Two address book records, in the State's EnterpriseOne (E1) accounting system, were not updated in a timely manner. The records were for telecommunications companies whose names changed due to acquisitions and spin-offs.

18. ***Internal Control Over Fixed Assets:*** Only one individual was responsible for maintaining fixed asset records in E1. Fixed asset reports and surplus property notifications were not reviewed by a second individual. One asset purchased for $8,959 was not posted to the fixed asset ledger.

SUMMARY OF COMMENTS
(Concluded)

More detailed information on the above items is provided hereafter. It should be noted that this report is critical in nature, containing 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 its management with an opportunity to review and to respond to the comments and recommendations contained herein. All formal responses received have been incorporated into this report. Where no response has been included, the Commission declined to respond. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next examination.

COMMENTS AND RECOMMENDATIONS

1. Excessive Cash Fund Balance

Sound business practices require the Commission to review fund balances periodically to ensure fees charged are appropriate in relation to the cost of carrying out the duties of the Commission.

The cash fund balance for the Enhanced Wireless E-911 (E911) Fund was $17,155,189 at December 31, 2014. The total disbursements from the fund for the calendar year were $8,013,512. The fund balance appears excessive as it could cover over 25 months of calendar year 2014 equivalent disbursements without additional receipts. It was noted that the cash balance has consistently appeared to be excessive over the last five years.

The excessive fund balance in the E911 Fund may indicate fees were too high.

> We recommend the Commission periodically review fund balances to ensure the fees charged are appropriate in relation to the costs of carrying out the duties of the Commission.

Agency Response: The Commission has maintained a balance in the E911 Fund that is greater than current disbursements to cover costs that would be incurred in implementing Next Generation 911 if authority was granted by the Legislature. A gradual decline in the balance has been projected, but has not occurred because many wireless service providers have not applied for funds to cover costs for providing wireless E911 service.

2. Enhanced 911 Disbursements

A good internal control plan includes a review of Local Exchange Carrier (LEC) tariffs, prior to issuing payment, to ensure the correct amount is paid. A good internal control plan also includes a review and documentation of adjustments to Public-Safety Answering Point (PSAP) allocations, prior to issuing payments, to ensure the correct amount is paid. This review should include a comparison of the Commission orders to application dates, for late filing penalties, and audit adjustment documentation.

For 1 of 25 E911 fund disbursements tested, the amount disbursed did not agree to supporting documentation. Quarterly payments to a LEC were based on the number of subscribers served by the LEC, multiplied by a tariff rate remitted by the LEC to the Commission. The tariff rate of $11.20 per 100 subscribers used to calculate the payment was based on a 2010 tariff rate. An update tariff rate of $0.12 per subscriber was properly submitted to the Commission on March 15, 2011, with an effective date of March 25, 2011; however, the E911 Coordinator was not notified of the change. As a result, the LEC was underpaid from March 25, 2011, through December 31, 2014, by an amount totaling $364,460. Additionally, a fund transfer from the E911 fund to the NUSF totaling $25,330 is required, based on a 6.95 percent surcharge on LEC revenue. LEC tariffs were not periodically reviewed to ensure the correct rate was used.

COMMENTS AND RECOMMENDATIONS
(Continued)

2. Enhanced 911 Disbursements (Concluded)

Monthly E911 PSAP disbursements for 4 of 23 PSAP's tested did not agree to a Commission order.

- One PSAP had a deduction for filing its application late, which was correctly reflected in the Commission order; however, payments to the PSAP were not correctly adjusted. As a result, the Commission should withhold $4,876 from future payments to correct the error.
- Three PSAP's had audit adjustments from a prior year(s) correctly reflected in the Commission orders; however, payments to the PSAPs were not correctly adjusted. As a result, the Commission should withhold $25,764 from future payments to correct the errors.

When sound internal control procedures are not in place to review tariffs and PSAP allocation adjustments, there is an increased risk of payment errors.

> We recommend the Commission take corrective action on the LEC underpayment and the PSAP overpayments. We also recommend the Commission establish a system of internal controls to ensure payments are adequately supported and reviewed by a second individual for accuracy.

Agency Response: The Commission will issue an order instructing LECs to file copies of E911 tariffs with the NTIPS Department. The Commission has also implemented a procedure to detect changes in LEC tariff rates so that correct rates are used when calculating payments. PSAP payments are determined by the Wireless E911 Coordinator and will be reviewed by the 911 Accountant. A second Accountant will review the amounts entered into the payment file to ensure that the amounts are entered correctly.

3. E911 Late Application Penalty

Neb. Rev. Stat. § 86-469 (Reissue 2014) states:

> *The commission, in consultation with the advisory board, shall adopt and promulgate rules and regulations necessary to carry out the Enhanced Wireless 911 Services Act.*

Title 291 NAC 15-007.01D states:

> *Any PSAP failing to timely file an initial application for funding or an update to an application for funding by the April 15th deadline may lose funding for the following funding year.*

Commission orders approving funding in which a PSAP application was filed late typically state:

> *Per the Commission's policy the late filing of an application will result in a deduction of one month's allocation of funding. Such a reduction is necessary as a matter of fairness to those PSAPs who filed applications in a timely manner.*

COMMENTS AND RECOMMENDATIONS
(Continued)

3. E911 Late Application Penalty (Continued)

It is unknown if a waiver for the PSAPs that filed on April 18th was considered. However, the Commission order approving funding for the PSAP that filed on April 16th states, in part:

> *A month's allocation . . . should be deducted as the PSAP failed to timely file its application for funding due to changes in personnel responsible for filing. However, the Telecommunication Infrastructure & Public Safety Department recommends waiving this deduction due to the PSAP's timely correction.*

A good business practice requires the additional cost of handling late applications be consistent with the deduction or penalty assessed on PSAPs. A sound business practice also includes consistently applying late penalties or having a documented waiver process that is accessible to all PSAPs.

PSAPs receive E911 funds calculated based on the 911 Support Allocation Methodology (911-SAM) run in May of each year. Payments based on the allocation model begin in July, the start of the State's fiscal year. Each year, PSAPs must submit an application for funding by April 15th.

Four of 20 PSAPs tested filed their annual application after the April 15th deadline. One PSAP filed on April 16, 2014, and received no deduction of its annual allocation. One PSAP filed on April 30, 2014, and had 1/11th of its allocation deducted. Two PSAPs filed on April 18, 2013, for the fiscal year 2014 allocation, and had 1/11th of their allocation deducted as a penalty.

For the fiscal year 2014 allocation, a total of four PSAPs filed after the April 15, 2013, deadline, and $17,095 in total was deducted from their allocations. Although Commission orders reference a policy for deducting one month's allocation for filing late, there was no actual policy for the deduction or how it should be calculated. Additionally, the APA questions if the actual deduction of 1/11th of a PSAP's allocation follows the intent of Commission orders to deduct one month's allocation of funding. Finally, there was no support relating the cost of handling late applications to the penalties assessed.

When there is a lack of documentation to support the late penalty calculation, there is an increased risk the intentions of commission orders will not be followed. When there is a lack of consistency in the treatment of late filing PSAPs, the "necessary as a matter of fairness" argument is lost.

> We recommend the Commission establish a written policy for the calculation of late penalties, taking into consideration the reasonableness of penalizing a PSAP 1/11th of its annual allocation for being days late. We also recommend applying the penalty consistently or adopting a waiver process.

COMMENTS AND RECOMMENDATIONS
(Continued)

3. E911 Late Application Penalty (Concluded)

Agency Response: The fee was waived for the PSAP that filed on 4-16-14 due to the fact they notified the Commission of a change in personnel. The other PSAPs were assessed because either the Commission had to contact them because their applications were overdue or in one case, because they had been late three years in a row. The Commission will develop a written policy for the calculation of E911 late application penalties that is in the public interest, taking into consideration the reasonableness of the penalty assessed. The policy will include a process for extension requests as well as criteria under which a waiver of the penalty may be requested. The levying of a penalty is at the discretion of the Commission.

4. E911 Audits

Title 291 NAC 15 states, in part:

> *008.01 Both wireless carriers and PSAPs shall submit all invoices and other supporting documentation to the Commission to demonstrate that all funds for the previous funding year were used for eligible costs including an accounting by PSAPs of all funds set aside for future equipment and software purchases and upgrades.*
>
> *008.01A Such verification shall be filed with the Commission no later than October 15th following the close of the funding year.*
>
> *008.01B Failure to submit the required verification may result in a suspension of funding for the current funding year and/or a loss of funding for the following funding year.*
>
> *008.02 If the Commission determines that any funds were not used appropriately, funding for the following funding year would be adjusted to recover any necessary funds.*
>
> *008.03 All PSAPs and wireless carriers receiving funding are subject to audit.*

For 7 of 10 PSAPs tested, the Commission had not completed fiscal year 2012 audits of their expenditures to ensure all expenditures were allowable, and the PSAP did not set aside more funds than authorized. In addition, 9 of 10 PSAPs tested did not have fiscal year 2013 audits completed by the Commission.

When PSAPs are not audited in a timely manner, there is an increased risk that the Commission will fail to identify either the expenditure of E911 funds for ineligible purchases or the set aside of more funds than authorized, which would require an adjustment to future funding. When audits are not performed for multiple years in a row, there is an increased risk that the cumulative effect of multi-year adjustments will significantly affect the ability of PSAPs to pay for E911 services, maintenance, and equipment.

> We recommend the Commission complete all prior year audits and maintain staffing levels to ensure audits are completed annually and in a timely manner.

COMMENTS AND RECOMMENDATIONS
(Continued)

4. E911 Audits (Concluded)

Agency Response: The Commission hired a 911 Accountant in July 2014. Prior to that time the 911 Coordinator had responsibility for all functions of the Department, including reviewing audits. The retention of a staff person dedicated to accounting functions for 911 will allow the Commission to complete all prior year audits and ensure audits are completed annually and in a timely manner.

5. Nebraska Universal Service Fund Remittances

The purpose of the Nebraska Telecommunications Universal Service Fund Act is to ensure all Nebraskans, without regard to their location, have access to quality telecommunications services at affordable and comparable rates. During calendar year 2014, the Commission collected $50,572,129 from the NUSF surcharge. The surcharge was assessed at 6.95 percent of in-state retail telecommunications revenue.

Title 291 NAC 10-003-01B states, in relevant part:

> *A telecommunications company whose assessable revenue is less than $20,000 for a given fiscal year may remit on a quarterly basis to the NUSF.*

Title 291 NAC 10-003.03 states, as is relevant:

> *Remittances must be received by the Nebraska State Treasurer no later than the 15th day following the end of remittance period.*

The Nebraska Telecommunications Infrastructure and Public Safety (NTIPS) Remittance Late Fee/Administrative Fine Procedures states, in part:

> *An NUSF remittance will be considered late when: An ACH Credit worksheet not filed or filed incorrectly, of if the correct amount is not remitted by the second business day following the due date, which is the 15th or next business day. A late-filed remittance that is $25 or greater will be subject to the following: if less than 30 days late, a late handling fee. If 30 or more days late, a late handling fee and administrative fine.*

Per the NTIPS Remittance Late-Fee/Administrative Fine Procedures, the late fee is $100 per late remittance.

A good internal control plan includes adequate procedures to ensure all remittances are received timely or late fees are assessed, as required by rules and regulations for reporting requirements.

DAS Procedures for Insufficient Fund Checks states, in part:

> *On a quarterly basis, the Treasurer's Office will also send agencies an IBT for the returned check fees which currently are $20.00 for each returned check . . . . Agencies should have a policy on how to follow-up on insufficient fund checks.*

COMMENTS AND RECOMMENDATIONS
(Continued)

5. Nebraska Universal Service Fund Remittances (Concluded)

We noted the following related to the remittance of the NUSF surcharge:

- Two of three companies tested were submitting quarterly NUSF surcharges but should have been remitting them monthly. The first company submitted a total of $26,136 in NUSF surcharge remittances during calendar year 2014. Using the amount remitted to calculate assessable revenues, the company had a total of $376,059 in revenues during this time period, exceeding the $20,000 threshold. The second company submitted a total of $15,059 in NUSF surcharge remittances during calendar year 2014. The calculated $216,676 in revenues during this time period exceeded the $20,000 threshold. Per review of supporting documentation, both companies were still remitting quarterly as of January 2015.

- For 2 of 10 NUSF remittances tested, late fees were not properly assessed. For one company, the June 2014 NUSF surcharge was due by July 15, 2014, but it was not received until August 19, 2014, over one month late. That company's worksheet was also received 10 days late. For the second company, the July 2014 worksheet was due by August 15, 2014, but it was not received until September 26, 2014, over one month late.

- For 1 of 18 companies tested, a fee was not charged for an insufficient funds (NSF) transaction. The company's ACH debit payment for NUSF was returned NSF due to its bank account being closed. The State Treasurer's Office charged a $20 fee for the NSF transaction. The Commission did not pass this cost onto the company.

A similar finding was noted in the prior report.

When companies are not properly remitting monthly, there is a reduction in cash flows and noncompliance with rules and regulations. Additionally, when NUSF late fees are not assessed and collected, the Commission is not in compliance with its own procedures, and there is a loss of State funds.

> We recommend the Commission implement procedures to ensure all telecommunication companies are remitting the NUSF surcharge in accordance with rules and regulations. We also recommend the Commission implement procedures to ensure late fees and NSF fees are being properly assessed and collected.

Agency Response: The Commission has asked for an additional administrative assistant in its FY2015-2017 budget request to assist the current administrative assistant that performs the function of monitoring remittances for late filed worksheets and funds. The Commission has reporting in place to detect late filings; however, the workload of the single administrative assistant does not always allow her to perform the monitoring function in a timely manner. If additional staff is not authorized this issue will continue.

COMMENTS AND RECOMMENDATIONS
(Continued)

6. Qwest NUSF-7 Loan

Sound business practices require a signed agreement between a creditor and debtor and that the agreement be on file.

For 1 of 15 NUSF items tested, there was not adequate documentation for a High Cost adjustment regarding an NUSF-7 grant payment that contained a repayment for money loaned to Qwest during fiscal year 2006 and 2007. There was no documentation to support the repayment terms, including the number of years and related interest rate for one-time payments made to the telecommunications provider under the NUSF-7 program. The amount paid to the company totaled $22,163,877 during fiscal years 2006 and 2007. The Commission subtracted monthly amounts from future NUSF funding to repay the loan. The Commission stated the repayment terms used were 120 months and 5% interest. The outstanding loan balance at December 31, 2014, was $4,084,599. No other loans/advancements of NUSF funds have been made by the Commission. NUSF funds are disbursed based on the Support Allocation Methodology (SAM), a permanent, long-term, universal service funding mechanism.

Without a signed agreement between a creditor and a debtor, there is an increased risk of loss or misuse of State funds.

> We recommend the Commission continue to allocate funding by using the SAM rather than the loan/advancement of funds.

Agency Response: The Commission administered this program through legally enforceable orders which defined the obligations of Qwest, and therefore believes sufficient documents were in place to obtain compliance with the Commission's terms and conditions. The Commission has not granted an NUSF-7 waiver following the grant of the Qwest NUSF-7 waiver, which included an advancement of funds for plant improvements. The grant programs currently administered by the Commission require carriers to make investments and provide documentation of funds expended prior to reimbursement of approved costs.

7. Nebraska Universal Service Fund Procedures

Title 291 NAC 10-004 states, in part:

> *004.06 Payment Procedures: NUSF payments to an NETC* [Nebraska Eligible Telecommunications Carrier] *will be made on a monthly basis and will be processed prior to the last state business day of the month.*
>
> *004.07 Audit Requirements: A telecommunications company that receives NUSF funding shall have an independent third party perform, and attest to the validity of, an audit pursuant to the requirements in this Rule.*
>
> . . . .
>
> *004.07B Annual Audit: A telecommunications company that receives NUSF funding shall perform an audit pursuant to this section on an annual basis, except as provided in Rule 004.07C. The results of each annual audit shall be provided to the Department before the end of the next calendar year following the audit period.*

COMMENTS AND RECOMMENDATIONS
(Continued)

7. <u>Nebraska Universal Service Fund Procedures</u> (Concluded)

For 12 of 15 NUSF disbursements tested, payments were posted on the last State business day of the month. One NUSF disbursement was posted on the last day of the month, which was not a State business day.

For 3 of 15 NUSF disbursements tested, there was not an attestation (agreed-upon procedures) engagement performed by an independent third party for the telecommunications carrier.

For 1 or 15 NUSF disbursements tested, the agreed upon procedures attestation done by an independent third party was not submitted before the December 31st due date.

Title 291 used the terms "audit" and "attest" interchangeably. The required work falls under the AICPA Statement on Standards for Attestation Engagements (SSAE) as Agreed-Upon Procedures Engagements.

When disbursements are made on the last day of the month, the Commission is not in compliance with its own rules and regulations. When an attestation is not performed for telecommunications carriers, there is an increased risk that errors will be made and go unnoticed.

> We recommend that the Commission follow current rules and regulations governing NUSF funds or update those guidelines accordingly. In addition, we recommend the Commission formalize a policy to assess fines or penalties on independent third-party attestations submitted past the due date. Finally, we recommend referring to agreed-upon procedures engagements as "attests" or "attestations" in Title 291 of the NAC, rather than as "audits."

Agency Response: The Commission believes it has been in compliance with Rule 004.06. The Commission has interpreted the term "processed" to mean the Commission's action to initiate payments, not the date of settlement into recipient's bank accounts. The NAC will be revised to indicate that an "audit" is an "attest."

APA Response: The posted date used by the APA to determine if NUSF disbursements were processed prior to the last State business day of the month, was in reference to the payment voucher document posted by PSC staff in the State's accounting system. The actual payment or date of settlement into the recipients' bank accounts did not occur until a later date for 11 of the 13 exceptions noted.

COMMENTS AND RECOMMENDATIONS
(Continued)

8. <u>Track Safety Inspections</u>

Neb. Rev. Stat. § 75-401 (Reissue 2009) states, in part:

> *The commission shall enforce the standards of railroad safety set forth in 49 C.F.R. parts 213, 215, 223, 229, 231, and 232.*

49 CFR § 212.101 (2014) states, in part:

> *(c) It is the policy of the FRA [Federal Railroad Administration] to maintain direct oversight of railroad, shipper, and manufacturer conditions and practices relevant to safety by conducting inspections and investigations in concert with participating State agencies.*
>
> *(d) The principal role of the State Safety Participation Program in the national railroad safety effort is to provide an enhanced investigative and surveillance capability through assumption, by participating State agencies, of responsibility for planned routine compliance inspections. The FRA encourages further State contributions to the national railroad safety program consistent with overall program needs, individual State capabilities, and the willingness of the States to undertake additional investigative and surveillance activities.*
>
> *(e) It is the policy of the FRA to promote the growth and vitality of the State Safety Participation Program through liaison with State government, coordination of Federal and State investigative and surveillance activities, and training of inspection personnel.*

49 CFR § 212.105 (2014) states, in part:

> *(a) Scope. The principal method by which States may participate in investigative and surveillance activities is by agreement with FRA. An agreement may delegate investigative and surveillance authority with respect to all or any part of the Federal railroad safety laws.*
>
> *(b) Duration. An agreement may be for a fixed term or for an indefinite duration.*

Prior to fiscal year 2011, the Commission enforced railroad safety standards, as required by § 75-401, through a cooperative agreement with the Federal Railroad Administration. The Commission carried out this statutory mandate, in part, by performing periodic railroad track safety inspections. In 2010, however, State funding for track safety inspections was eliminated. As a result, the Commission was forced to terminate the Railroad Track Safety Inspector position responsible for making those inspections.

When rendered incapable of performing railroad track safety inspections due to a lack of funding, the Commission is unable to comply fully with § 75-401.

> We recommend the Commission work with the Legislature to resolve the issue of its inability to comply fully with the statutory mandate set out in § 75-401.

Agency Response: The funding for a track inspector was eliminated by the Legislature in 2010. Since then, the Commission has attempted to secure funding in order to satisfy our statutory responsibility set forth in § 75-401. The Commission requested that funding for the position be

COMMENTS AND RECOMMENDATIONS
(Continued)

8. **Track Safety Inspections** (Concluded)

restored in 2013. The Legislature restored the funding; however, the item was vetoed by the Governor and was not included in the override package. This year, the Commission requested that the Appropriations Committee include in its budget sufficient funding to restore the position. As of the date of this response, the matter is pending before the Committee.

9. **Grain Securities**

Neb. Rev. Stat. § 75-903 (Reissue 2009) states, in relevant part,

> *All grain dealers doing business in this state shall be licensed by the commission. If the applicant is an individual, the application shall include the applicant's social security number. To procure and maintain a license, each grain dealer shall . . . (4) File security which may be a bond issued by a corporate surety company and payable to the commission, an irrevocable letter of credit, or a certificate of deposit, subject to the approval of the commission, for the benefit of any producer or owner within this state who files a valid claim arising from a sale to or purchase from a grain dealer. The security shall be in the amount of thirty-five thousand dollars or seven percent of grain purchases or exchanges by the grain dealer in the grain dealer's preceding fiscal year, whichever is greater, not to exceed three hundred thousand dollars.*

The Commission holds Securities pledged by grain dealers to protect stakeholders in the event of financial hardship or failure. Dealers pledge securities based on grain purchases made the previous fiscal year with a maximum pledged amount of $300,000. Two of six licensed grain dealers reviewed did not provide the amount of grain purchased from the previous year; as a result, the maximum amount of pledged security should have been required. During the year, the Commission maintained securities in the amounts of $115,000 and $189,000 for the two dealers identified, which resulted in securities being $185,000 and $111,000 less than required.

When adequate pledged security amounts are not held, the protection of stakeholders is at risk.

> We recommend the Commission review procedures to ensure adequate securities from grain dealers are held for the protection of stakeholders.

Agency Response: Two of the six grain dealer licenses reviewed revealed issues with the required securities. One was remedied by the license holder with the filing of the subsequent year financial statement. The other licensee filed the required security upon being notified by the Department. Action was taken to remedy each situation as soon as they were brought to the attention of the Department. Both issues are attributable to simple oversight by Department staff exacerbated by a staffing change resulting in three months without an administrative assistant in the Department and the failure and closure of a grain warehouse. Both of these factors increased the work load and duties of the remaining staff significantly. The Department intends to review its internal processes to ensure proper oversight on calculation and receipt of required securities for all licensees.

COMMENTS AND RECOMMENDATIONS
(Continued)

10. Payroll and Expenditure Allocation

A good internal control plan and sound business practices require documentation to support allocations of payroll and operating expenditures across multiple programs and funds to ensure reasonableness.

The Commission had several employees whose payroll was allocated across multiple programs and funds. To calculate the allocations, employees estimated the time they spent on various Commission programs. The estimated hours that would have been worked by employees in unfilled positions were also used in the allocation calculations. For the unfilled positions, estimates from the employees who previously held the positions were used. Employees did not track actual time spent on programs, and the allocations were also used when paying other operating expenditures. The allocations were updated once every two years with the State's budget cycle.

Without a documented comparison of actual time spent on programs to the amount estimated and charged, there is an increased risk programs or funds of the Commission will be incorrectly charged for payroll and other expenditures.

> We recommend the Commission implement procedures to ensure the allocation calculations used are reasonable by periodically comparing them to a record of actual time spent on programs by employees.

Agency Response: The Commission acknowledges that, with the exception of Program 19, a process does not exist in which our employees track the actual time they spend on each program and no comparison of actual time to the estimates used for documentation purposes. On an annual basis, the Commission employees are asked to update their allocations to mirror the time they spend in each program area. In Program 19, 'PSC Housing and Recreational Vehicles' our employees do use actual time; however, these employees are not allocated across multiple programs or funds. The problematic issue of using only actual time is that the personal services limitation provision established during the budget process cannot be exceeded at the program level. The limitation provision may result in periodic adjustments. That notwithstanding, the Commission will consider incorporating a process to have employees review these allocations against actual time spent as well as further automating processes where possible.

11. Employee Leave Balances

Neb. Rev. Stat. § 81-1317.01 (Reissue 2014) states, in part:

> *[T]erms and conditions of employment which may otherwise be provided by law for employees not covered under the State Personnel System may be adjusted by the employer-representative as defined in section 81-1371 to address changes arising out of collective bargaining, but in no event shall the adjustment exceed the benefits derived from collective bargaining.*

COMMENTS AND RECOMMENDATIONS
(Continued)

11. Employee Leave Balances (Continued)

Neb. Rev. Stat. § 81-1371(6) (Reissue 2014) states, in part:

Employer-representative shall mean . . . (d) for negotiations involving other state employees, the Governor;

In 2005, Governor Heineman signed a document extending benefits to non-classified employees in code and non-code agencies to include a maximum carryover of 35 days (280 hours) of vacation leave.

Title 273 NAC 10-004.02 states:

All employees' accumulated vacation time in excess of thirty-five days shall be forfeited as of December 31 of each calendar year. In special and meritorious cases, when it would cause hardship for an employee to take earned vacation leave before December 31, excess carryover leave may be approved by the Agency Head. In these cases, the agency head shall assure hours carried over shall be used within the next six months. In no case shall approved carry over vacation continue from year to year.

Title 273 NAC 9-006 states, in part:

Upon proper agency authorization, up to 240 hours of compensatory time (not more than 160 hours of actual overtime hours worked) may be accumulated by an employee.

Nebraska Public Service Commission Policy Manual (December 11, 2007) states, in part:

Vacation leave accrues pursuant to Chapter 10, Section 004 of the Nebraska Classified System Personnel Rules.

Employees will not be allowed to carry over accrued vacation leave time in excess of 280 hours from one calendar year to the next calendar year without the written approval of the Executive Director for special and meritorious circumstances when it would cause hardship for an employee to take earned vacation leave before December 31. Excess vacation leave time not used by the end of the calendar year will be forfeited.

Unless there are exceptional circumstances and the department director and Executive Director gives prior authorization, an employee may not carry over more than twenty-four (24) hours of accumulated compensatory time from one pay period to another.

An employee received authorization to carry over 384 hours of vacation at December 31, 2014, 104 hours more than the 280 maximum. The employee had carried over more than 280 vacation hours consecutively from 2010 to 2015.

At December 31, 2014, seven employees carried over more than 24 hours of compensatory leave without documented approval. Their compensatory leave balances at year end ranged from 36 to 97 hours.

When leave balances in excess of maximums allowed are carried over from year to year, the Commission is not in compliance the Nebraska Administrative Code or its Policy Manual. Excessive leave balances increase the risk of an employee being paid out more hours then are allowable upon employment termination.

COMMENTS AND RECOMMENDATIONS
(Continued)

11. Employee Leave Balances (Concluded)

We recommend the Commission review procedures to ensure leave balances are in compliance with the Nebraska Administrative Code and the Commission's policy manual.

Agency Response: The Commission is taking steps to improve its practice of reviewing vacation balances by supplying the Directors with monthly leave reports so that they can monitor their staff's leave balances. We will also investigate further automation for the process. Finally, we will be reviewing and updating the Commission's Policy Manual to address the issues of vacation carryover and comp time balances.

12. Travel Reimbursements

Nebraska State Accounting Manual, AM-005, Travel Expense Policies, Section 6, states:

> *Agencies are responsible to see that all submitted claims for food/meals are adequately substantiated. Unsubstantiated food/meals should not be reimbursed. Receipts are required unless the cost of the food/meal is under $5.00.*

Nebraska Public Service Commission Policy Manual (December 11, 2007) states, in part:

> *Employees are expected to exercise good and reasonable judgment in the utilization of the meal allowance. Reimbursement will **not** be made on a per diem basis. Federal maximum per diem standard rates may be obtained from the Business Manager, should not be claimed, but may and should be used as a guideline for reasonableness.*
>
> *Reimbursement of airfare expenses must include documentation that includes the employee's name, the destination, date of arrival and departure and actual cost of each ticket. Since the actual cost of the airfare is not always stated on the itinerary, the request for reimbursement shall also include a copy of their credit card statement (with account numbers and other private information blacked out) showing the amount actually billed for airfare.*

The U.S. General Service Administration (GSA) per diem rates provide guidance on how the cost of State employee meals should be broken down between breakfast, lunch, dinner, and incidentals. The Department of Administrative Services (DAS) recommends State agencies utilize the GSA per diem standards, as published by the Federal government, as a reasonable guideline.

COMMENTS AND RECOMMENDATIONS
(Continued)

12. Travel Reimbursements (Concluded)

For one of six expense reimbursements tested, meals were claimed when provided by the conference, were not substantiated with a detailed receipt, or were unreasonable compared to the GSA breakdown for breakfast or dinner, as noted below:

Questioned Meals for Employee at San Francisco Conference

	Food Cost and Tax	Delivery Charge	Room Service Charge	Tip and Gratuity	Amount Reimbursed	Reasonable Reimbursement	Excess Reimbursement
Breakfast*	$ 23.57	$ 5.00	$ 3.36	$ 2.00	$ 33.93	$ -	$ 33.93
Breakfast*	$ 29.08	$ 5.00	$ 4.16	$ 2.00	$ 40.24	$ -	$ 40.24
Breakfast**	$ 23.75	$ -	$ -	$ -	$ 23.75	$ -	$ 23.75
Dinner	$ 42.29	$ 5.00	$ 6.08	$ 2.00	$ 55.37	$ 36.00	$ 19.37
Breakfast	$ 23.57	$ 5.00	$ 3.36	$ 2.00	$ 33.93	$ 12.00	$ 21.93
Breakfast	$ 20.58			$ 3.00	$ 23.58	$ 12.00	$ 11.58
					$ 210.80	**$ 60.00**	**$ 150.80**

*Meal provided by the conference.
**No receipt provided, and the meal was provided by the conference.

For one of five expense reimbursements tested, miscellaneous expenses were not supported with proper supporting documentation. A $200 airfare ticket change fee and baggage fee of $25 were reimbursed without supporting documentation.

When amounts reimbursed for meals are unreasonable, there is a perceived misuse and loss of State funds. When reimbursement of significant miscellaneous expenses is not verified through supporting documentation, there is an increased risk for the loss of State funds.

> We recommend the Commission implement procedures to ensure that meals reimbursed are reasonable by using GSA amounts as a guideline. We also recommend implementing procedures to ensure that reimbursements of significant miscellaneous expenses are accompanied by supporting documentation.

Agency Response: The Commission is planning on strengthening our meal reimbursement policy to establish a better understanding of reasonable expenses. We will use the GSA amounts as guidelines. We also plan to clarify what documentation is necessary for expenses.

13. Payroll Procedures

Neb. Rev. Stat. § 84-1001(1) (Reissue 2014) states:

> *All state officers and heads of departments and their deputies, assistants, and employees, except permanent part-time employees, temporary employees, and members of any board or commission not required to render full-time service, shall render not less than forty hours of labor each week except any week in which a paid holiday may occur.*

COMMENTS AND RECOMMENDATIONS
(Continued)

13. Payroll Procedures (Concluded)

A good internal control plan includes the following: 1) a review of employee timesheets, prior to processing payroll, to ensure hours worked and leave used are correct; 2) a review of the final payroll register (after payroll is posted by DAS) to ensure no changes or errors occurred after payroll was certified to DAS, but before payroll was posted; 3) a certification, on exception reporting only timesheets, that the employee worked or used leave for at least 40 hours per week; and 4) documentation on timesheets of flex time earned and used by employees.

Employee timesheets were not approved by a supervisor. There was no review of the final payroll register after payroll was posted by DAS. Timesheets upon which only leave was recorded did not include a certification that the employee worked or used leave for at least 40 hours each week. Flex time earned and used by exempt employees was not documented on timesheets.

Without adequate controls over payroll, there is an increased risk for payroll and leave balance errors.

> We recommend the Commission implement procedures to strengthen existing controls over the payroll process, including supervisor review of timesheets, a comparison of the final payroll register to the pre-payroll register, establishing a timesheet certification statement validating the employee worked or used leave for at least 40 hours each week, and requiring employees to record flex time earned and used.

Agency Response: The Commission will review its current practice and try to develop a process that will allow supervisors to review timesheets electronically. The Business Manager will run a General Ledger Detail report to compare the final payroll register to the pre-payroll register. The Commission has corrected the certification statement on the timesheet to validate that the employee has worked or used leave for at least 40 hours each week. The Commission will review its business practice regarding flex time earned and used. We are also going to look into time reporting tools approved by State Accounting that will allow us to improve our payroll reporting procedures.

14. Federal Fund Payroll

OMB Circular A-87, Attachment B, § (8)(h), states, in relevant part:

> *(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency.*

COMMENTS AND RECOMMENDATIONS
(Continued)

14. Federal Fund Payroll (Concluded)

(5) Personnel activity reports or equivalent documentation must meet the following standards:

(a) They must reflect an after the fact distribution of the actual activity of each employee,

(b) They must account for the total activity for which each employee is compensated,

(c) They must be prepared at least monthly and must coincide with one or more pay periods, and

(d) They must be signed by the employee.

(e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes , provided that:

(i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;

(ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and

(iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Eight employees had a portion of their pay allocated to Federal funds. The allocations were reviewed every six months, rather than quarterly. Additionally, one employee had a portion of his pay allocated to Federal funds for each pay period during calendar year 2014; however, no actual hours worked on the Federal grant were recorded. Hours were subsequently recorded after the APA brought this matter to the Commission's attention. According to its own analysis, the Commission undercharged the grant by $28,857; however, that analysis did not factor in the employer portion of health insurance, retirement, or FICA taxes paid on behalf of the employees.

When the Commission is not in compliance with OMB Circular A-87, there is an increased risk of questioned costs.

> We recommend the Commission establish procedures to ensure actual hours worked on Federal grant projects are recorded, and those recorded hours are compared at least quarterly to the actual amount of payroll charged to Federal grants through EnterpriseOne (E1) payroll distribution.

Agency Response: The Commission's federal grant ended on January 31, 2015. The Commission does not anticipate receiving any additional federal grant funds in the near future. However, if it does, the Commission will revise its procedures to ensure that at least quarterly comparisons of actual hours worked on Federal grants based on monthly activity reports to budgeted distributions charged to Federal grants through EnterpriseOne (E1) are made. This analysis should determine whether the estimates charged to EnterpriseOne warrant further adjustments.

COMMENTS AND RECOMMENDATIONS
(Continued)

15. Contracts

Neb. Rev. Stat. § 84-602.02(3)(a) (Reissue 2014) states, in relevant part:

> *Beginning July 1, 2014, the web site described in this section shall include a link to the web site of the Department of Administrative Services. The department's web site shall contain: (i) A data base that includes a copy of each active contract that is a basis for an expenditure of state funds, including any amendment to such contract and any document incorporated by reference in such contract.*

A good internal control plan includes procedures to ensure all contracts are scanned into the database in a timely manner.

During our review of active contracts held by the Commission, it was noted that copies of contracts were not always available on the State's contract website. For contracts to appear on the website, the Commission is responsible for scanning copies into the State's Enterprise Content Management (ECM) system known as OnBase. The Commission was to receive a weekly report from the Department of Administrative Services identifying which contracts had not been scanned into OnBase; however, DAS was not sending the weekly report to any staff at the Commission.

When contracts are not scanned into the State's contract database in a timely manner, valuable information is not available to the Legislature or the general public, as intended by State statue.

> We recommend the Commission review procedures to ensure all contracts are scanned into the State contract database in a timely manner. We also recommend the Commission work with DAS to ensure the weekly report of contracts not scanned into OnBase is received.

Agency Response: The Commission was unaware of any deadlines for contracts to appear on the States Contract website. It was learned through this audit that the Public Service Commission was not receiving any notification from the Department of Administrative Services regarding contracts that needed to be scanned into the Enterprise Content Management System (OnBase). The notification has been established and all contracts have been scanned into the OnBase system.

16. Parking Expenditures

A good internal control plan and sound business practices require procedures to ensure expenditures are a reasonable use of State funds. A good internal control plan also requires a review of expenditures to ensure they are properly recorded in the correct fiscal year.

We noted the Commission paid $1,120 for monthly parking passes in public garages that were not being used by employees. Employees are offered parking passes in one of three garages near the Commission's office, and the fee for the pass is withheld from the employee's paycheck each month. In the case where a position is vacant, the Commission used State funds to maintain the

COMMENTS AND RECOMMENDATIONS
(Continued)

16. <u>Parking Expenditures</u> (Concluded)

pass until the position was filled. The Commission paid a total of $80 from the Enhanced Wireless 911 Fund, $720 from the State General Fund, $80 from the Nebraska Universal Service Fund, and $240 from the PSC Regulation Fund for the parking passes.

The payment of $240 to hold vacant parking spots in June 2014 was paid in July 2014. The expenditure was not properly coded as a prior year obligation, as it was paid after the close of the State's fiscal year.

When State funds are used to hold unused parking spaces, there is a loss of State funds. When expenditures are not accurately recorded, there is an increased risk of misstatement in the State's Comprehensive Annual Financial Report.

> We recommend the Commission review its use of State funds to pay for vacant parking spots. We also recommend the Commission implement procedures to ensure expenditures are recorded in the proper fiscal year.

Agency Response: The Commission will review its business practice of paying for vacant parking spaces. This practice fluctuates as open positions occur within the agency. If the Commission did not pay for the parking space until the position was filled, the employee would have to wait two years for a parking space. Once a position is filled, the new employee is responsible for the payment of the vacant parking space. If the employee does not want the parking space, the space is surrendered to the parking entity.

17. <u>Address Book Records</u>

A good internal control plan includes updating address book records as company names change to ensure State agencies do not use an incorrect address book record in an attempt to pay a vendor.

We noted payments to two vendor records in E1 were not updated in a timely manner. An E1 vendor record can be used by any State agency to pay an invoice. The Commission used a vendor record with the name "Sprint, Lenexa KS" to pay CenturyLink. CenturyLink acquired Embarq Corporation in July 2009. Embarq was a spin-off of Sprint Nextel in May 2006. The Commission also used a vendor record with the name "Alltel Communications, Little Rock" to pay Windstream, which was formed in part through a spin-off of Alltel's landline business in 2006.

When address book records are not correct in E1, there is an increased risk that a State agency will pay the wrong vendor.

COMMENTS AND RECOMMENDATIONS
(Continued)

17. Address Book Records (Concluded)

> We recommend the Commission enter an address book change request through E1 to update incorrect address book records. The Department of Administrative Services completes change requests.

Agency Response: The address book record with the name "Alltel Communications, Little Rock" has been corrected to read Windstream. A request to make this change was made several years ago; however, the Department of Administrative Services would not make the change. The record "Sprint, Lenexa KS" was corrected in 2014.

18. Internal Control Over Fixed Assets

DAS Internal Control Guidelines state, in part:

> *Good internal controls should ensure that there is a proper segregation of duties, divided among different people to reduce error, waste, or fraud. No one individual should be allowed to control all key aspects on a transaction or event.*

Good internal control includes a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records.

We noted one individual was responsible for maintaining equipment fixed asset records, adding items to the equipment fixed asset records and preparing Surplus Property Notification forms when items were retired.

We also noted the Commission did not complete a documented review of E1 fixed asset reports to ensure items were properly added to, passed on, or retired from the fixed asset ledger. Reports that should be reviewed include the Unposted Fixed Asset Transaction Report (assets that have not posted to the fixed asset ledger), the Fixed Asset No Cost Integrity Report (assets that have not been assigned a cost), the Passed Transaction Report (assets coded to a fixed asset object account and action was taken not to post them to the fixed asset ledger), the Business Unit Fund Integrity Report (ensures business unit fund and asset master fund match), the Item Code Object Account Integrity Report (ensures item code matches asset cost, accumulated depreciation, and/or depreciation object account entered in the Asset Master), and the Additions and Retirements Report (tracks the activity of an asset via cost and accumulated depreciation).

One asset purchased in August 2014, for $8,959 was not posted to the fixed asset ledger. As a result, the asset was not being depreciated over its useful life.

Without proper procedures and a segregation of duties over fixed assets, there is an increased risk for misuse or theft of State assets or errors in the reporting of assets.

COMMENTS AND RECOMMENDATIONS
(Concluded)

18. Internal Control Over Fixed Assets (Concluded)

We recommend the Commission implement policies and procedures to ensure an adequate segregation of duties exists, so one individual is not in a position both to perpetrate and to conceal errors or irregularities. We recommend an individual, independent from the process of maintaining the assets, periodically document his or her review of the Additions and Retirement Report and also approve the Surplus Property Notification form for the disposal of assets. We also recommend adding any identified assets to the fixed asset ledger.

Agency Response: The Commission will review its current segregation of duties over fixed assets and establish a review process of the Addition and Retirement Report.

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NEBRASKA PUBLIC SERVICE COMMISSION

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Public Service Commission
Lincoln, Nebraska

We have examined the accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balances of the Nebraska Public Service Commission (Commission) for the year ended December 31, 2014. 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 year ended December 31, 2014, based on the accounting system and procedures prescribed by the State of Nebraska 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, 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 certain findings that are required to be reported under *Government Auditing Standards*, and those findings, along with the views of management, are described in the Comments Section of the report.

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, and it 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.

April 30, 2015

Charlie Janssen
Auditor of Public Accounts

NEBRASKA PUBLIC SERVICE COMMISSION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Calendar Year Ended December 31, 2014

	General Fund 10000	Enhanced Wireless E-911 Fund 20450	Internet Enhancement Fund 20460	NE Competative Telephone Market Fund 20470	Grain Warehouse Surveillance Fund 21400	Municipal Rate Negotiation Revenue Fund 21408	PSC Regulation Fund 21409	Telephone Relay System Fund 21410	Moisture Testing Examination Fund 21420
REVENUES:									
Appropriations	$ 2,288,734	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Intergovernmental	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Sales & Charges	$ 291,518	$ 186	$ -	$ -	$ -	$ -	$ 192,727	$ -	$ 33,185
Miscellaneous	$ 188	$ 8,103,224	$ 26,195	$ 4,197	$ 241	$ 6,667	$ 383,436	$ 658,084	$ 1,792
TOTAL REVENUES	$ 2,580,440	$ 8,103,410	$ 26,195	$ 4,197	$ 241	$ 6,667	$ 576,163	$ 658,084	$ 34,977
EXPENDITURES:									
Personal Services	$ 1,940,022	$ 297,045	$ 10,848	$ -	$ -	$ 9,491	$ 271,690	$ 88,416	$ -
Operating	$ 236,912	$ 397,801	$ 949	$ -	$ 150	$ 1,031	$ 281,950	$ 532,490	$ 15,215
Travel	$ 91,101	$ 3,828	$ -	$ -	$ -	$ -	$ 4,980	$ 1,056	$ -
Capital Outlay (Note 5)	$ 20,699	$ 1,340	$ -	$ -	$ -	$ -	$ 254	$ 30	$ 3,430
Government Aid	$ -	$ 7,313,498	$ -	$ -	$ -	$ -	$ -	$ 128,502	$ -
TOTAL EXPENDITURES	$ 2,288,734	$ 8,013,512	$ 11,797	$ -	$ 150	$ 10,522	$ 558,874	$ 750,494	$ 18,645
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 291,706	$ 89,898	$ 14,398	$ 4,197	$ 91	$ (3,855)	$ 17,289	$ (92,410)	$ 16,332
OTHER FINANCING SOURCES (USES):									
Sales of Assets	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,354
Deposit to General Fund	$ (291,706)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deposit to/from Common Fund (Note 7)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Operating Transfers In	$ -	$ -	$ 5,398	$ -	$ -	$ 30,000	$ -	$ -	$ -
Operating Transfers Out	$ -	$ -	$ -	$ (5,398)	$ -	$ -	$ -	$ -	$ -
TOTAL OTHER FINANCING SOURCES (USES)	$ (291,706)	$ -	$ 5,398	$ (5,398)	$ -	$ 30,000	$ -	$ -	$ 3,354
Net Change in Fund Balances	$ -	$ 89,898	$ 19,796	$ (1,201)	$ 91	$ 26,145	$ 17,289	$ (92,410)	$ 19,686
FUND BALANCE, JANUARY 1, 2014	$ 3,746	$ 17,065,291	$ 96,808	$ 31,249	$ 12,398	$ 332,220	$ 141,063	$ 886,303	$ 65,430
FUND BALANCE, DECEMBER 31, 2014	$ 3,746	$ 17,155,189	$ 116,604	$ 30,048	$ 12,489	$ 358,365	$ 158,352	$ 793,893	$ 85,116
FUND BALANCE CONSISTS OF:									
General Cash (Note 4)	$ -	$ 17,178,319	$ 116,604	$ 30,048	$ 12,489	$ 358,365	$ 181,797	$ 798,710	$ 86,904
Petty Cash	$ 300	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deposits with Vendors	$ 3,446	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Received, not Vouchered	$ -	$ (23,130)	$ -	$ -	$ -	$ -	$ (23,445)	$ -	$ -
Short-Term Investments	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Due to Vendors	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (4,817)	$ (1,788)
Deposits (Note 6)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL FUND BALANCE	$ 3,746	$ 17,155,189	$ 116,604	$ 30,048	$ 12,489	$ 358,365	$ 158,352	$ 793,893	$ 85,116

The accompanying notes are an integral part of the schedule.

(Continued)

NEBRASKA PUBLIC SERVICE COMMISSION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Calendar Year Ended December 31, 2014

	Grain Warehouse Auditing Fund 21430	Manufact. Homes & Recreational Vehicles Fund 21450	Universal Service Fund 21460	ARRA Broadband & E-911 Grant Fund 40000	Common School Fund 61270	PSC Elevator Trust Fund 61420	Pierce Elevator Grain Warehouse Fund 61427	Pierce Elevator Grain Dealer Fund 61428	**Total (Memorandum Only)**
REVENUES:									
Appropriations	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,288,734
Intergovernmental	$ -	$ 2,872	$ -	$ 1,009,929	$ -	$ -	$ -	$ -	$ 1,012,801
Sales & Charges	$ 1,140	$ 269,477	$ 147	$ -	$ 17,340	$ -	$ 4,777,919	$ 300,908	$ 5,884,547
Miscellaneous	$ 832	$ 19,043	$ 50,571,982	$ -	$ -	$ -	$ -	$ -	$ 59,775,881
TOTAL REVENUES	$ 1,972	$ 291,392	$ 50,572,129	$ 1,009,929	$ 17,340	$ -	$ 4,777,919	$ 300,908	$ 68,961,963
EXPENDITURES:									
Personal Services	$ -	$ 272,351	$ 491,957	$ 38,021	$ -	$ -	$ -	$ -	$ 3,419,841
Operating	$ -	$ 125,071	$ 179,811	$ 968,278	$ -	$ -	$ 78,663	$ -	$ 2,818,321
Travel	$ -	$ 11,553	$ 1,790	$ 3,630	$ -	$ -	$ 1,613	$ -	$ 119,551
Capital Outlay (Note 5)	$ -	$ 2,327	$ 8,591	$ -	$ -	$ -	$ -	$ -	$ 36,671
Government Aid	$ -	$ -	$ 49,197,230	$ -	$ -	$ -	$ -	$ -	$ 56,639,230
TOTAL EXPENDITURES	$ -	$ 411,302	$ 49,879,379	$ 1,009,929	$ -	$ -	$ 80,276	$ -	$ 63,033,614
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 1,972	$ (119,910)	$ 692,750	$ -	$ 17,340	$ -	$ 4,697,643	$ 300,908	$ 5,928,349
OTHER FINANCING SOURCES (USES):									
Sales of Assets	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,354
Deposit to General Fund	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (291,706)
Deposit to/from Common Fund (Note 7)	$ -	$ -	$ -	$ -	$ (17,340)	$ -	$ -	$ -	$ (17,340)
Operating Transfers In	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 35,398
Operating Transfers Out	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (5,398)
TOTAL OTHER FINANCING SOURCES (USES)	$ -	$ -	$ -	$ -	$ (17,340)	$ -	$ -	$ -	$ (275,692)
Net Change in Fund Balances	$ 1,972	$ (119,910)	$ 692,750	$ -	$ -	$ -	$ 4,697,643	$ 300,908	$ 5,652,657
FUND BALANCE, JANUARY 1, 2014	$ 38,829	$ 812,720	$ 32,753,765	$ -	$ -	$ -	$ -	$ -	$ 52,239,822
FUND BALANCE, DECEMBER 31, 2014	$ 40,801	$ 692,810	$ 33,446,515	$ -	$ -	$ -	$ 4,697,643	$ 300,908	$ 57,892,479
FUND BALANCE CONSISTS OF:									
General Cash (Note 4)	$ 44,264	$ 694,708	$ 33,480,986	$ -	$ -	$ -	$ 4,697,643	$ 300,908	$ 57,981,745
Petty Cash	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 300
Deposits with Vendors	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,446
Received, not Vouchered	$ -	$ (1,810)	$ -	$ -	$ -	$ -	$ -	$ -	$ (48,385)
Short-Term Investments	$ (3,463)	$ -	$ -	$ -	$ -	$ 1,091,000	$ -	$ -	$ 1,087,537
Due to Vendors	$ -	$ (88)	$ (34,471)	$ -	$ -	$ -	$ -	$ -	$ (41,164)
Deposits (Note 6)	$ -	$ -	$ -	$ -	$ -	$ (1,091,000)	$ -	$ -	$ (1,091,000)
TOTAL FUND BALANCE	$ 40,801	$ 692,810	$ 33,446,515	$ -	$ -	$ -	$ 4,697,643	$ 300,908	$ 57,892,479

The accompanying notes are an integral part of the schedule.

(Concluded)

NOTES TO THE SCHEDULE

For the Calendar Year Ended December 31, 2014

1. Criteria

The accounting policies of the Nebraska Public Service Commission (Commission) are on the basis of accounting, as prescribed by the State of Nebraska's Director of the Department of Administrative Services (DAS).

Per Neb. Rev. Stat. § 81-1107(2) (Reissue 2014), the duties of the State of Nebraska's Director of the Department of Administrative Services 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 2014), 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, an accounting resource software, 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. EnterpriseOne is not an accrual accounting system; instead, accounts are maintained on a modified cash basis. As revenue transactions occur, the agencies record the accounts receivable and related revenues in the general ledger. As such, certain revenues are recorded when earned, regardless of the timing of related cash flows. State Accounting does not require the Commission to record all accounts receivable and related revenues in EnterpriseOne; as such, the Commission's schedule does not include all accounts receivable and related revenues. In a like manner, expenditures and related accounts payable are recorded in the general ledger as transactions occur. As such, the schedule includes those expenditures and related accounts payable posted in the general ledger as of December 31, 2014, and not yet paid as of that date. The amount recorded as expenditures on the schedule, as of December 31, 2014, **does not** include amounts for goods and services received before December 31, 2014, which had not been posted to the general ledger as of December 31, 2014.

Other liabilities are recorded in accounts entitled Deposits and Due to Fund 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, 2014. Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

NOTES TO THE SCHEDULE
(Continued)

1. Criteria (Continued)

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.

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 – account 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.

60000 – Trust Funds – account for assets held by the State in a trustee capacity. Expenditures are made in accordance with the terms of the trust.

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, Enhanced Wireless 911 surcharge, Telephone Relay System surcharge, and Nebraska Universal Service Fund surcharge.

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.

NOTES TO THE SCHEDULE
(Continued)

1. Criteria (Concluded)

Travel – All travel expenses for any State officer, employee, or member of any commission, council, committee, or board of the State.

Capital Outlay – Expenditures that 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.

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 short-term investments. Cash accounts, deposits with vendors, and short-term investments are 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 fund balance. Other liabilities recorded in the general ledger for the Commission's funds at December 31, 2014, included Deposits. 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 Commission 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.

NOTES TO THE SCHEDULE
(Continued)

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, which maintains an operating investment pool for such investments. Interest earned on those investments is allocated to funds based on their percentage of the investment pool.

5. Capital Assets

Capital assets include land, buildings, equipment, improvements to buildings, construction in progress, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Under State Accounting policies, expenditures for such capital assets are not capitalized as an asset in the funds used to acquire or construct them. Rather, costs of obtaining the capital assets are reflected as expenditures in the general ledger and are reported as such on the Schedule.

However, State Accounting does adjust such expenditures and reports the capital assets as assets for the State of Nebraska in the Comprehensive Annual Financial Report (CAFR). In addition, the Commission takes an annual inventory, recording in the State Accounting System all equipment that has a cost of $300 or more at the date of acquisition.

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 more than one year 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 3 to 10 years.

Capital asset activity of the Commission recorded in the State Accounting System for the calendar year ended December 31, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets				
Equipment	$ 549,981	$ 22,993	$ 26,700	$ 546,274
Less accumulated depreciation for:				
Equipment				458,782
Total capital assets, net of depreciation				$ 87,492

NOTES TO THE SCHEDULE
(Continued)

6. Changes in Deposits

Fund	Balance January 1, 2014	In	Out	Balance December 31, 2014
PSC Elevator Trust Fund 61420	$ (800,000)	$ (291,000)	$ -	$ (1,091,000)

These securities are accepted by the Commission in lieu of a grain warehouse licensing bond. These securities are held in the Commission's name and are shown on the statement.

7. Deposits to/from Common Funds

Neb. Rev. Stat. § 75-156 (Cum. Supp. 2014) authorizes the Commission to assess a civil penalty for, among other things, any violation of the following: certain State statutes; the terms, conditions, or limitations of any certificate or permit issued by the Commission within its jurisdiction; and any rule, regulation, or order of the Commission made pursuant to designated sections of State statute. Neb. Rev. Stat. § 75-158 (Reissue 2009) directs the Commission to transmit any civil penalty collected, within 30 days from receipt, to the State Treasurer for credit to the Permanent School Fund.

8. Grain Warehouse and Grain Dealer Securities

Neb. Rev. Stat. § 88-530 (Reissue 2014) requires grain warehouse applicants to file security with the Commission, as follows:

> *Each applicant shall show sufficient net worth or stockholders' equity to conform with the financial requirements which the commission shall establish by the adoption and promulgation of rules and regulations. Applicants shall file with the commission security in the form of a bond, a certificate of deposit, an irrevocable letter of credit, United States bonds or treasury notes, or other public debt obligations of the United States which are unconditionally guaranteed . . . . The security shall be in an amount set by the commission pursuant to rules and regulations, but shall not be less than twenty-five thousand dollars. The security shall run to the State of Nebraska for the benefit of each person who stores grain in such warehouse and of each person who holds a check for purchase of grain stored in such warehouse which was issued by the warehouse licensee not more than five business days prior to the cutoff date of operation of the warehouse, which shall be the date the commission officially closes the warehouse.*

The security is to be an amount set by the Commission pursuant to rules and regulation, but may not be less than $25,000 or more than $500,000.

The Commission had securities on file with grain warehouse licensees totaling $27,813,400 at December 31, 2014. These securities are not held in the Commission's name; therefore, they are not shown on the schedule.

According to Neb. Rev. Stat. § 75-903(4) (Reissue 2009), a grain dealer seeking to "procure and maintain" a license must do the following:

> *File security which may be a bond issued by a corporate surety company and payable to the commission, an irrevocable letter of credit, or a certificate of deposit, subject to the approval of the commission, for the benefit of any producer or owner within this state who files a valid claim arising from a sale to or purchase from a grain dealer.*

NOTES TO THE SCHEDULE
(Concluded)

8. Grain Warehouse and Grain Dealer Securities (Concluded)

The security is to be in the amount of $35,000 or 7% of grain purchases by the grain dealer in the preceding license year, whichever is greater, not to exceed $300,000.

The Commission had securities on file from grain dealer licensees totaling $30,162,000 at December 31, 2014. These securities are not held in the Commission's name; therefore, they are not shown on the schedule.

9. Pierce Elevator, Inc.

The Pierce Elevator, Inc., (Pierce) voluntarily surrendered its grain warehouse licenses on March 4, 2014. On March 5, 2014, the Commission entered an order closing Pierce's warehouse locations and taking title to all grain in storage in trust for distribution to all valid owners, depositors, or storers of grain. Proceeds from the sale of grain totaled $4,734,057. Expenses deducted from the proceeds totaled $79,781. Approved warehouse claims totaled $4,620,184. Pierce had a grain warehouse bond in the amount of $580,000, which was payable to the Commission. No call on the bond was made, as proceeds from the sale of grain were in excess of approved claims.

Approved dealer claims totaled $3,342,794. Pierce had a grain dealer bond in the amount of $300,000, which was payable to the Commission. Only the proceeds from the bond were available for satisfaction of the approved dealer claims, which provided $.09 per dollar of each approved claim.

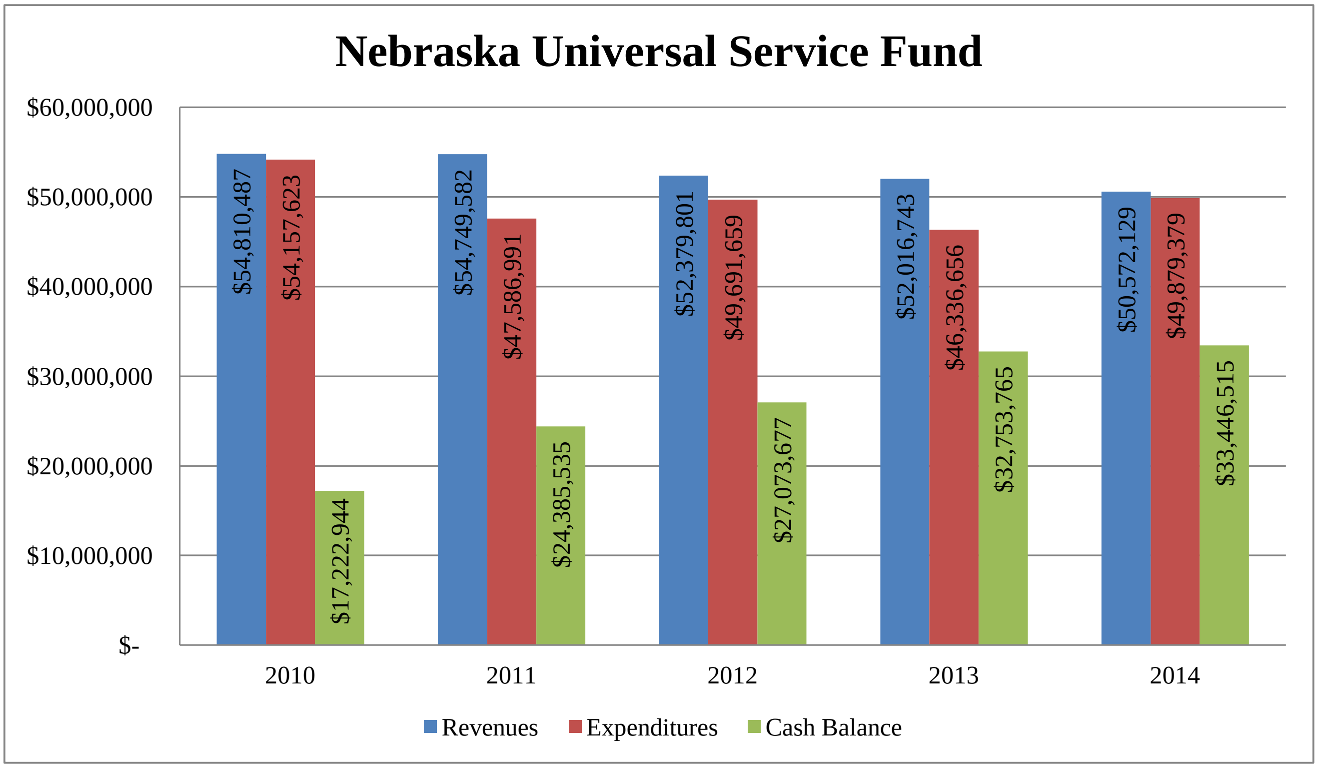
SUPPLEMENTARY INFORMATION

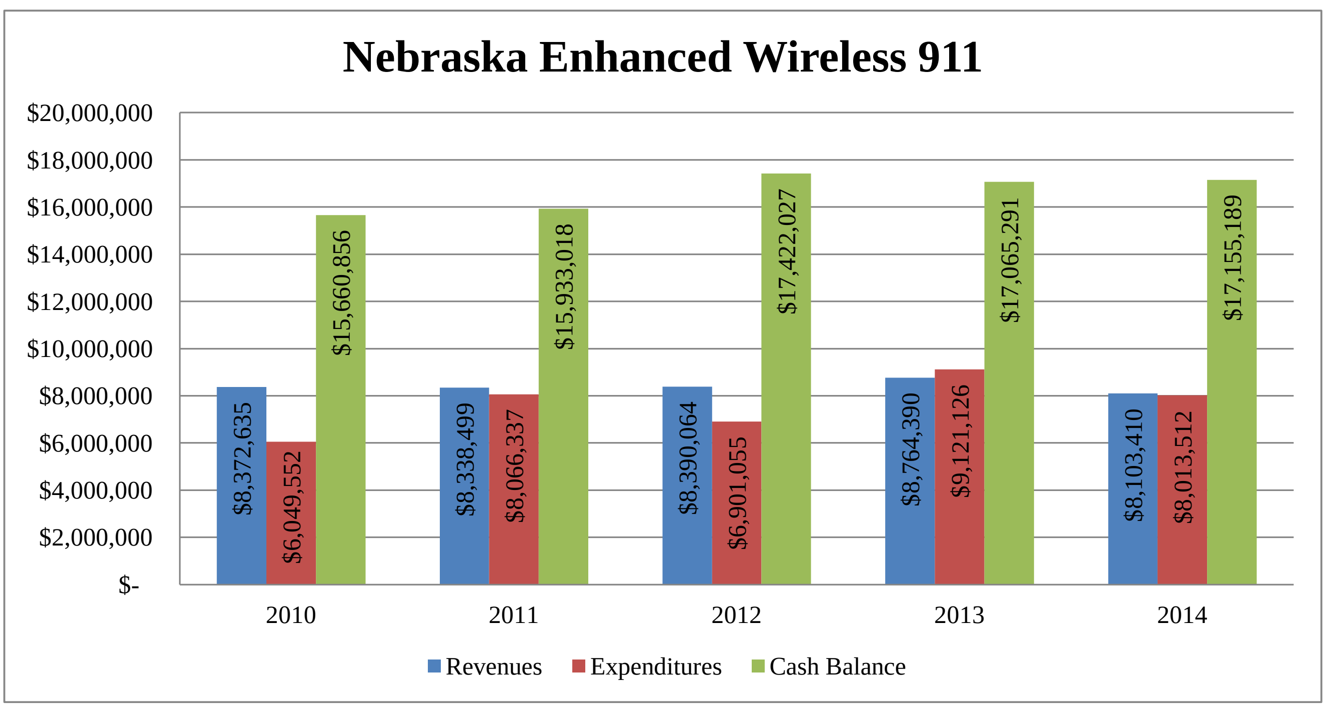
Our examination was conducted for the purpose of forming an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances. Supplementary information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination of the Schedule of Revenues, Expenditures, and Changes in Fund Balances, and, accordingly, we express no opinion on it.

NEBRASKA PUBLIC SERVICE COMMISSION

NUSF AND E911 REVENUES, EXPENDITURES, AND FUND BALANCES

For the Calendar Years 2010 through 2014





NEBRASKA PUBLIC SERVICE COMMISSION

SCHEDULE OF STATISTICAL INFORMATION

For the Fiscal Years 2010 through 2014

	Actual 2010	Actual 2011	Actual 2012	Actual 2013	Actual 2014
Grain Warehouses:					
Licenses	94	88	85	83	83
Inspections	173	201	205	161	174
Moisture Meter Inspections	1,129	1,215	1,173	989	945
Grain Dealer Licenses	150	156	162	162	149
Communications:					
Certificate Applications	15	33	38	50	22
Local Authority Applications	7	3	5	4	6
Other Applications	96	73	69	67	48
Dialer Permits	20	11	21	12	26
Informal Complaints	789	736	454	397	670
Equipment Distribution Program- Households Served	1,082	865	907	559	441
Manufactured Homes:					
Manuf. Homes-Seals	172	219	539	459	432
Rec. Vehicles-Seals	881	1,518	1,780	3,979	2,888
Modular Housing-Seals	452	400	653	694	641
Natural Gas Dockets:					
Rate Cases	2	-	1	-	-
Other Dockets	2	4	4	4	9
Pipeline Dockets/Notices	9	-	-	-	-
Informal Complaints	618	172	156	111	128
Formal Complaints	4	3	-	-	-