

**ATTESTATION REPORT  
OF THE  
NEBRASKA STATE ELECTRICAL DIVISION  
JULY 1, 2016, THROUGH JUNE 30, 2017**

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**Issued on September 7, 2017**

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

### Audit Staff Working On This Examination

Krista Davis – Audit Manager

Brad Ashley, CPA – Auditor-In-Charge

Nathan Tomjack – Auditor

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NEBRASKA STATE ELECTRICAL DIVISION

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## NEBRASKA STATE ELECTRICAL DIVISION

### **BACKGROUND**

The Nebraska State Electrical Division (Division) includes a State Electrical Board (Board), which directs the Division's Executive Director and sets Division policies. The Board, established in 1969, is a seven-member regulatory board, which enforces the State Electrical Act. Members are appointed by the Governor to five-year terms. Members include a journeyman electrician, an electrical contractor or master electrician, a certified electrical inspector, a licensed professional electrical engineer, a State public power district or rural electrical cooperative representative, a State municipal electric system representative, and a seventh member who may represent any of the above groups.

The Board is responsible for the inspection of new electrical wiring and electrical systems installed in buildings for compliance with the adopted electrical code. Existing residential and rural electrical facilities are inspected upon request. Electrical accidents and fatalities are investigated where possible. Practicing electricians and electrical contractors are tested and, if qualified, are licensed by the Board. The Division is funded with cash funds received from occupational examination and license fees, inspection fees, and code training session fees. The Board provides code-training sessions monthly at locations throughout the state.

NEBRASKA STATE ELECTRICAL DIVISION

**KEY OFFICIALS AND BOARD CONTACT INFORMATION**

**Electrical Board Members**

James Brummer  
President – Rural Electric  
System Representative  
Term Ending September 13, 2019

George Morrissey  
Vice President – Registered  
Professional Engineer  
Term Ending September 12, 2018

Tom Ourada  
Municipal Electrical System  
Representative  
Term Ending September 13, 2019

Stanley Elsasser  
Licensed Journeyman Electrician  
Term Ending September 13, 2018

John Hiller  
Licensed Electrical Contractor  
Term Ending September 13, 2017

Cory Mueller  
Licensed Electrical Contractor  
Term Ending September 13, 2020

Ed Bergstraesser  
Certified Electrical Inspector  
Term Ending September 13, 2020

**Nebraska State Electrical Division Executive Management**

Kevin Booker  
Director

Michael Bouwens  
Chief Electrical Inspector

Nebraska State Electrical Division  
521 South 14<sup>th</sup> Street, Suite 400  
P.O. Box 95066  
Lincoln, NE 68508  
electrical.nebraska.gov

## NEBRASKA STATE ELECTRICAL DIVISION

### SUMMARY OF COMMENTS

During our examination of the Nebraska State Electrical Division (Division), we noted certain deficiencies and other operational matters that are presented here. The following comments are required to be reported in accordance with *Government Auditing Standards*: Comments #1 and #2, which are considered to be significant deficiencies.

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

1. ***Lack of Controls Over Revenues:*** The Division lacked an adequate segregation of duties. Individuals were able to open the mail, process applications, issue permits and licenses, prepare the deposits, and void transactions without compensating controls and procedures to ensure all monies received were handled appropriately.
2. ***Lack of Segregation of Duties Over Payroll:*** The Division did not have an adequate segregation of duties over payroll, as one individual was able to process, review, and post payroll without a secondary review by an independent person with no payroll access.
3. ***Lack of Internal Controls Over Capital Assets:*** The Division did not have an adequate segregation of duties over capital assets. One individual was able to add or dispose of assets, as well as perform the annual inventory, with no secondary review by an independent person without system access to capital assets.
4. ***Accounting Issues:*** We noted several expenditure and revenue transactions that were not properly recorded in the accounting system, an untimely payment to a vendor, untimely transactions entered in the system, and sales tax totaling \$210 paid unnecessarily.
5. ***Travel Expenditure Issues:*** We noted an expense reimbursement not approved, excessive tips totaling \$15, lack of documentation for mileage incurred, lack of a detailed receipt for a meal totaling \$19, and inappropriate lodging paid for two employees totaling \$356.

More detailed information on the above items is provided hereinafter. 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 Division.

Draft copies of this report were furnished to the Division 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. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next examination.

NEBRASKA STATE ELECTRICAL DIVISION

COMMENTS AND RECOMMENDATIONS

1. **Lack of Controls Over Revenues**

During testing, we noted the Nebraska State Electrical Division (Division) lacked an adequate segregation of duties over the revenue process and issuance of permits and licenses, as follows:

- One individual was able to open mail containing cash receipts without a second individual, process applications for permits and licenses, issue permits and licenses, and prepare deposits. Five individuals had access to perform these procedures. Furthermore, the same individuals were able to prepare and mail invoices for amounts owed and apply cash when subsequently received.
- Licenses were not adequately controlled to ensure all monies received were actually deposited. Licenses could be voided in the Nebraska State Electrical Division permit and licensing system after being issued. The voids could go undetected, as the system deletes the license information when voided. Only through review of transaction reports could one detect a void, as the license number sequence would not be continuous. According to the Division, voided entries were reviewed periodically; however, there was no documentation of the review, and the system did not have the capabilities to generate a report of voids. Furthermore, voided licenses were not retained for subsequent review. The Division destroys the physical license when voided.
- Lastly, there was no documented review of the general ledger report from the accounting system to ensure all monies received were deposited.

Revenues related to sales and charges totaled \$1,703,721 during the fiscal year tested.

A good internal control plan requires an adequate segregation of duties or compensating procedures to ensure no one individual is in a position both to perpetrate and to conceal errors or irregularities when issuing permits or licenses and preparing deposits, including the preparation of an initial listing of monies received and a review of voided transactions.

A lack of segregation of duties increases the risk of loss, misuse, or theft of State funds. Without proper controls over the issuance of permits and licenses, there is an increased risk a permit or license could be issued without the fee being collected, or a fee paid by an applicant might not be deposited.

A similar finding was noted in our previous attestation report.

We recommend the Division implement a proper segregation of duties or compensating procedures for the handling of receipts and the issuance of permits and licenses, including the documented review of voided licenses.

*Division Response: We have policies and procedures in place to address the segregation of duties to the best of our abilities given the size of our agency. However, we invited DAS in to consult if there are ways to improve the way we do things or if they have services that can help us meet auditing expectations.*

NEBRASKA STATE ELECTRICAL DIVISION

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**2. Lack of Segregation of Duties Over Payroll**

The State's accounting system does not have an established segregation of duties for payroll processing. Therefore, employees with access to process payroll are able to perform all procedures without a secondary individual required to approve transactions.

Therefore, the Division should have compensating procedures in place, such as a documented review of the payroll register by an individual without payroll access, to ensure no one individual is able to conceal errors or irregularities. The Division had three individuals that were able to perform all payroll processes and review reports to ensure expenditures were accurate and proper. There was no secondary review by an individual without payroll access.

The Division had \$1,208,275 in personal service expenditures during the period July 1, 2016, through June 30, 2017.

A good internal control plan requires an adequate segregation of duties to ensure no one individual is in a position both to perpetrate and to conceal errors or irregularities. This would require someone without payroll access to perform a documented review of the payroll to ensure that it is proper. Without an adequate segregation of duties, there is an increased risk of errors or irregularities occurring and not being detected.

We recommend the Division implement procedures for an individual, without payroll access, to perform a documented review of the payroll register for accuracy and reasonableness.

*Division Response: We have policies and procedures in place to address the segregation of duties to the best of our abilities given the size of our agency. However, we invited DAS in to consult if there are ways to improve the way we do things or if they have services that can help us meet auditing expectations.*

**3. Lack of Internal Controls Over Capital Assets**

During our review of capital assets, we noted a lack of segregation of duties over the processing of capital assets in the accounting system. One individual was able to add assets to the inventory records, to surplus and dispose of assets, and to perform the annual inventory. Additionally, no secondary review was performed by an independent person without capital asset access to ensure that the additions and retirements were appropriate and accurate. Three individuals had access to add, delete, and change asset information in the accounting system. The Division had 35 assets, totaling \$48,828, as of June 30, 2017.

A good internal control plan requires an adequate segregation of duties to ensure no one individual is able both to perpetrate and to conceal errors or irregularities.

Without an adequate segregation of duties, there is an increased risk of fraud and misuse of State property. A similar finding was noted in our previous attestation report.



NEBRASKA STATE ELECTRICAL DIVISION

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**3. Lack of Internal Controls Over Capital Assets (Concluded)**

We recommend the Division establish an adequate segregation of duties to ensure no one individual is able to perpetrate and/or conceal errors and irregularities. This would include a documented secondary review of capital asset reports.

*Division Response: We will look to DAS for assistance in best management practices for inventory control over capital assets. This may include policy review and rewrite.*

**4. Accounting Issues**

During the testing of expenditures and revenue transactions, we noted inaccurate and untimely transactions in the accounting system and erroneous payment of sales tax, as follows:

- One of six expenditures tested was for the purchase of six computers totaling \$3,512. The Division initially recorded the incorrect amount and, while attempting to correct the entry, accidentally recorded the purchase two additional times in the accounting system, resulting in a \$7,021 overstatement of expenditures and accounts payable. Though taking place in April 2017, the errors had not been corrected as of August 2017. Furthermore, the vendor had yet to be paid for the equipment. Neb. Rev. Stat. § 81-2403(1) (Reissue 2014) provides, in relevant part, the following:

*[E]ach agency shall make payment in full for all goods delivered or services rendered on or before the forty-fifth calendar day after (a) the date of receipt by the agency of the goods or services or (b) the date of receipt by the agency of the bill for the goods or services, whichever is later, unless other provisions for payment are agreed to in writing by the creditor and the agency.*

According to the invoice, the payment was due May 19, 2017, so the payment was over the 45 days required by statute. Additionally, the six computers had not been recorded to the Division's fixed asset records. The overstatement of \$7,021 was adjusted on the financial schedule for the fiscal year ended June 30, 2017.

- When the Division receives payment online, the State Treasurer records the revenue to a suspense account. The Division then performs an entry to distribute the suspense account to the proper sales and charges revenue accounts. During testing of credit card receipts, we noted 16 of 19 receipts were not redistributed timely. The entry to redistribute the revenues ranged from 12 to 38 days after the payment was initially recorded by the State Treasurer. Additionally, we noted miscodings due to a duplicate redistribution entry totaling \$570 at fiscal year-end. The entry overstated Sales & Charges and understated Miscellaneous Revenues. The misstatement was adjusted on the financial schedule.
- The Department of Administrative Services (DAS) performs an entry monthly to charge expenditures to the Division for purchase card transactions. DAS records the expenditures to a suspense account, and the Division then performs an entry to distribute the suspense account to the proper expenditure accounts. For one of two purchase card expenditures tested, three expenses recorded as operating expenditures should have been recorded as travel expenditures, causing a misstatement of \$547.

NEBRASKA STATE ELECTRICAL DIVISION

**COMMENTS AND RECOMMENDATIONS**

(Continued)

4. **Accounting Issues** (Concluded)

- The Division erroneously paid sales taxes, totaling \$210, for two purchases. One expenditure was for an in-state hotel room, which included sales, lodging, and occupancy taxes for a total of \$13. The second was a purchase of ground resistant testers, which included \$197 of sales tax. The Nebraska State Accounting Manual, AM-005, “Travel Policies,” Section 4 (“Lodging”), states, “Sales to the State of Nebraska and its agencies are exempt from Nebraska sales, use and lodging tax.”

A good internal control plan requires procedures to ensure transactions are properly recorded in the accounting system, payments and correcting entries are made timely, and sales tax is not paid when not required.

When transactions are not recorded properly in the accounting system, there is an increased risk of misstatement of the Division’s financial schedule. Furthermore, when payments are not made timely, there is an increased risk the Division will not be in compliance with State statute and could incur late charges. Lastly, when sales and lodging taxes are paid, the Division is not in compliance with State accounting policies.

We recommend the Division establish adequate policies and procedures to ensure accounting transactions are properly recorded, transactions and payments are made timely, and sales and lodging taxes are not paid inappropriately.

*Division Response: I am aware of an untimely payment to a vendor and untimely transactions entered in the system. This is an issue when 2 employees are out sick for a long period of time and we were short staffed. Since we are such a small staff, we may have to rely on DAS or temporary staffing to assist during times of extended illness.*

5. **Travel Expenditure Issues**

During testing of seven travel related expenditures, we noted the following issues:

- There was no documentation that the Director’s expense reimbursement, totaling \$801, was reviewed and/or approved for payment. According to the DAS State Accounting Division – Expense Reimbursement Document “ERD” Guidelines, the “ERD should be signed by an authorized person.”
- Two individuals’ expense reimbursements included excessive tips for meals purchased. Tips totaled \$27 and ranged from 32% to 71% of the meal cost. Using 20% as a guideline, appropriate tips would have totaled \$12, resulting in a total of \$15 in excessive tips as follows:

NEBRASKA STATE ELECTRICAL DIVISION

**COMMENTS AND RECOMMENDATIONS**  
(Continued)

5. **Travel Expenditure Issues** (Continued)

<b>Meal Amount</b>	<b>Tip</b>	<b>Tip as a %</b>
\$ 12.15	\$ 3.85	31.69%
\$ 9.81	\$ 5.00	50.97%
\$ 9.81	\$ 5.19	52.91%
\$ 9.81	\$ 5.19	52.91%
\$ 13.70	\$ 5.00	36.50%
\$ 4.21	\$ 3.00	71.26%

- We tested two Transportation Services Bureau documents for permanently assigned vehicles. For one of eight trips tested, there was insufficient supporting documentation to allow for a determination as to the reasonableness of the mileage incurred. According to the travel log, the individual traveled 241 miles for inspections; however, during our review of the supporting documentation for the inspections and locations visited, we could recalculate only 201 miles, resulting in a variance of 40 miles or 20%. The Division was unable to provide further support to explain the additional 40 miles.
- One meal reimbursed for \$19 was not supported by a detailed receipt; instead, only a credit card receipt was on file. According to the DAS State Accounting Manual – Section 6 regarding meals, detailed receipts are required for meals over \$5.
- One expense reimbursement tested included personal vehicle mileage for an inspector to complete an undercover investigation, but it did not contain documentation to support the purpose of the trip. Per discussion with the Chief Electrical Inspector, the travel was for an ongoing investigation, and no documentation would be available until the investigation is completed. According to the Nebraska State Accounting Manual, AM-005, “Travel Policies,” Section 5 (“Substantiation of Expenses”), “Under our accountable plan, the Internal Revenue Service requires employees to substantiate the cost for travel, lodging, meals, and other expenses.”
- One expenditure tested was for lodging for inspectors to attend a staff meeting. However, 2 of 15 employees did not work further than 60 miles from the meeting location. The inspectors were within 29 and 32 miles but were allowed to obtain lodging, totaling \$356, for two nights. Additionally, there was no sign-in sheet to ensure all inspectors who had lodging were actually in attendance. According to the Nebraska State Accounting Manual, AM-005, “Travel Policies,” Section 4 (“Lodging”), “It is State Accounting policy that a person generally be more than 60 miles from his or her workplace in order to be eligible for lodging.”

Sound business practices and a good internal control plan require procedures to ensure adequate documentation is on file to support travel expenditures were reasonable and appropriate. Additionally, sound business practices require procedures to ensure amounts expended for tips are reasonable. A good internal control plan requires a process for the approval of all expense reimbursements.

NEBRASKA STATE ELECTRICAL DIVISION

**COMMENTS AND RECOMMENDATIONS**  
(Concluded)

**5. Travel Expenditure Issues** (Concluded)

Travel expenditures totaled \$163,422 for the fiscal year tested.

We recommend the Division implement policies and procedures to ensure adequate documentation is obtained to support travel expenditures. Additionally, we recommend the Division ensure travel expenditures are reasonable and appropriate.

*Division Response: We will review and establish a board approved tipping policy that will address Item 5. We will adhere to state guidelines according to policies on lodging. To the extent that we can, we will strive to provide detailed receipts.*



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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State Auditor

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### NEBRASKA STATE ELECTRICAL DIVISION

### INDEPENDENT ACCOUNTANT'S REPORT

Nebraska State Electrical Division  
Lincoln, Nebraska

We have examined the accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balance of the Nebraska State Electrical Division (Division) for the period July 1, 2016, through June 30, 2017. The Division's management is responsible for the Schedule of Revenues, Expenditures, and Changes in Fund Balance based on the accounting system and procedures set forth in Note 1. Our responsibility is to express an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balance 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Schedule of Revenues, Expenditures, and Changes in Fund Balance is based on the accounting system and procedures set forth in Note 1, in all material respects. An examination involves performing procedures to obtain evidence about the Schedule of Revenues, Expenditures, and Changes in Fund Balance. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Schedule of Revenues, Expenditures, and Changes in Fund Balance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Schedule of Revenues, Expenditures, and Changes in Fund Balance for the period July 1, 2016, through June 30, 2017, is based on the accounting system and procedures prescribed by the State of Nebraska Director of Administrative Services, as set forth in Note 1, in all material respects.

In accordance with *Government Auditing Standards*, we are required to report findings of significant deficiencies and material weaknesses in internal control; instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the subject matter or an assertion about the subject matter and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements that has a material effect on the subject matter or an assertion about the subject matter of the examination engagement; and abuse that has a material effect on the subject matter or an assertion about the subject matter of the examination engagement. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Schedule of Revenues, Expenditures, and Changes in Fund Balance is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedule of Revenues, Expenditures, and Changes in Fund Balance or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed 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 State Electrical Board, others within the Division, 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.

A handwritten signature in black ink, appearing to read "C. J. Janssen", with a long horizontal flourish extending to the right.

Charlie Janssen  
Auditor of Public Accounts  
Lincoln, Nebraska

August 29, 2017

NEBRASKA STATE ELECTRICAL DIVISION  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
 For the Fiscal Year Ended June 30, 2017

	<b>State Electrical Board 21210</b>
<b>REVENUES:</b>	
Sales & Charges	\$ 1,703,721
Miscellaneous	21,450
<b>TOTAL REVENUES</b>	<b>1,725,171</b>
 <b>EXPENDITURES:</b>	
Personal Services	1,208,275
Operating	189,091
Travel	163,422
Capital Outlay	3,512
<b>TOTAL EXPENDITURES</b>	<b>1,564,300</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	160,871
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>
Net Change in Fund Balance	160,871
FUND BALANCE, July 1, 2016	897,526
FUND BALANCE, June 30, 2017	\$ 1,058,397
 <b>FUND BALANCE CONSISTS OF:</b>	
General Cash	\$ 1,058,510
Non-Sufficient Fund Items	77
Deposits with Vendors	1,549
Accounts Receivable Invoiced	1,773
Due to Vendors	(3,512)
<b>TOTAL FUND BALANCE</b>	<b>\$ 1,058,397</b>

The accompanying notes are an integral part of the schedule.

NEBRASKA STATE ELECTRICAL DIVISION

NOTES TO THE SCHEDULE

For the Period July 1, 2016, through June 30, 2017

1. Criteria

The accounting policies of the Nebraska State Electrical Division (Division) are on the basis of accounting, as prescribed by the State of Nebraska's Department of Administrative Services (DAS).

Per Neb. Rev. Stat. § 81-1107(2) (Reissue 2014), the duties of the State of Nebraska's Director of DAS include the following:

*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 Balance 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 Division to record all accounts receivable and related revenues in EnterpriseOne; as such, the Division'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 June 30, 2017, and not yet paid as of that date. The amount recorded as expenditures on the schedule, as of June 30, 2017, **does not** include amounts for goods and services received before June 30, 2017, which had not been posted to the general ledger as of June 30, 2017.

The Division had no accounts receivable at June 30, 2017, not recorded on the Schedule. Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

The following fund type established by the State is used by the Division:

**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.



NEBRASKA STATE ELECTRICAL DIVISION

**NOTES TO THE SCHEDULE**  
(Continued)

**1. Criteria** (Concluded)

The following major revenue account classifications established by State Accounting are used by the Division:

**Sales & Charges** – Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees.

**Miscellaneous** – Revenue from sources not covered by other major categories, such as investment income.

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

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

**Operating** – Expenditures directly related to a program's primary service activities.

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

**Capital Outlay** – Expenditures 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.

Other significant accounting classifications and procedures established by State Accounting and used by the Division include the following:

**Assets** – Resources owned or held by a government that have monetary value. Assets include cash accounts, deposits with vendors, and receivable accounts. Accounts receivable are recorded as an increase to revenues resulting in an increase to fund balance on the schedule. Cash accounts and deposits with vendors are also included in 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.

**2. Reporting Entity**

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

The Division is part of the primary government for the State of Nebraska.

NEBRASKA STATE ELECTRICAL DIVISION

**NOTES TO THE SCHEDULE**  
(Concluded)

**3. 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.

**4. 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 Division takes an annual inventory, recording in the State Accounting System all equipment that has a cost of \$500 or more at the date of acquisition.

For the CAFR, the State requires the Division 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 three years.

Capital asset activity of the Division recorded in the State Accounting System for the period July 1, 2016, through June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets				
Equipment	\$ 48,828	\$ -	\$ -	\$ 48,828
Less accumulated depreciation for:				
Equipment				45,085
Total capital assets, net of depreciation				\$ 3,743

Note: The schedule above does not reflect the computer purchases noted in Comment #4.

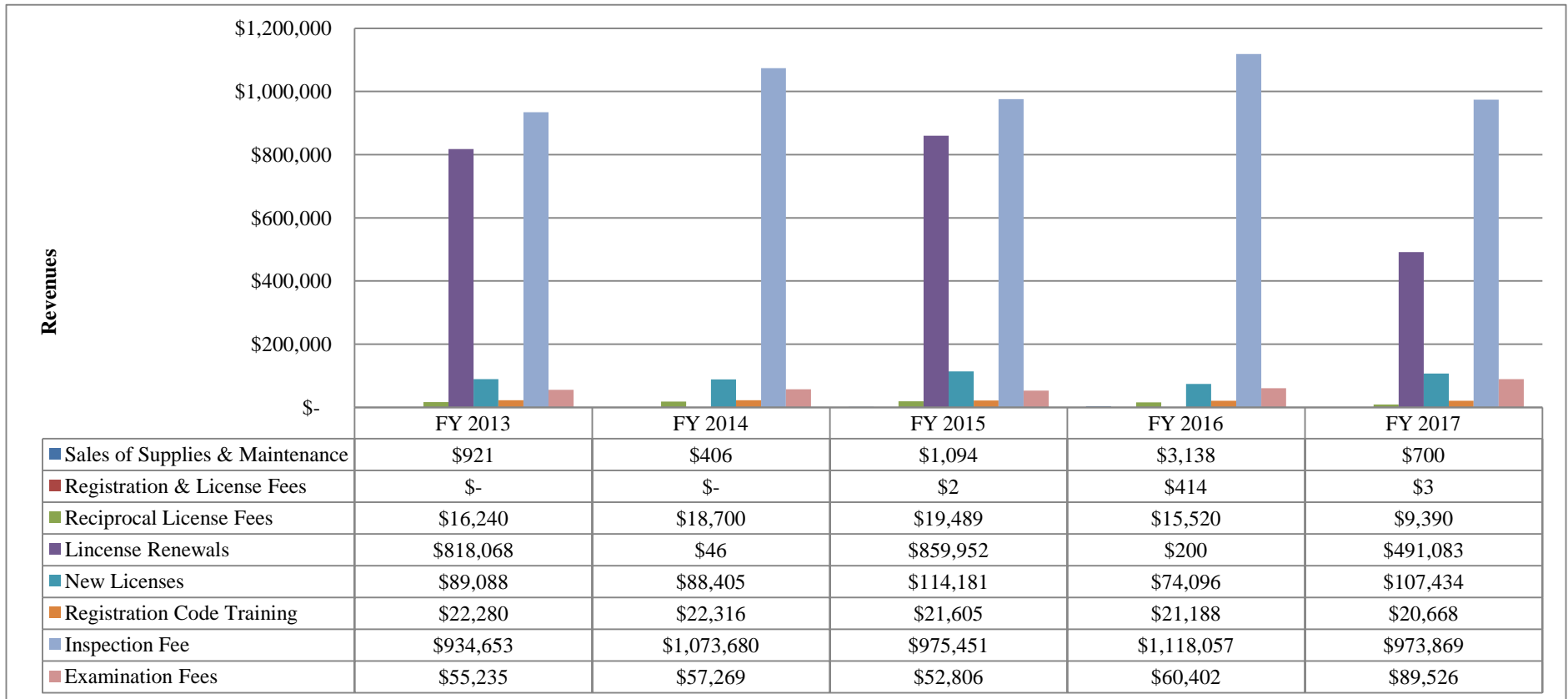
NEBRASKA STATE ELECTRICAL DIVISION

**SUPPLEMENTARY INFORMATION**

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

**NEBRASKA STATE ELECTRICAL DIVISION**  
**SALES & CHARGES REVENUE ACTIVITY**  
For the Fiscal Years Ended June 30, 2013 through 2017

**Exhibit A**

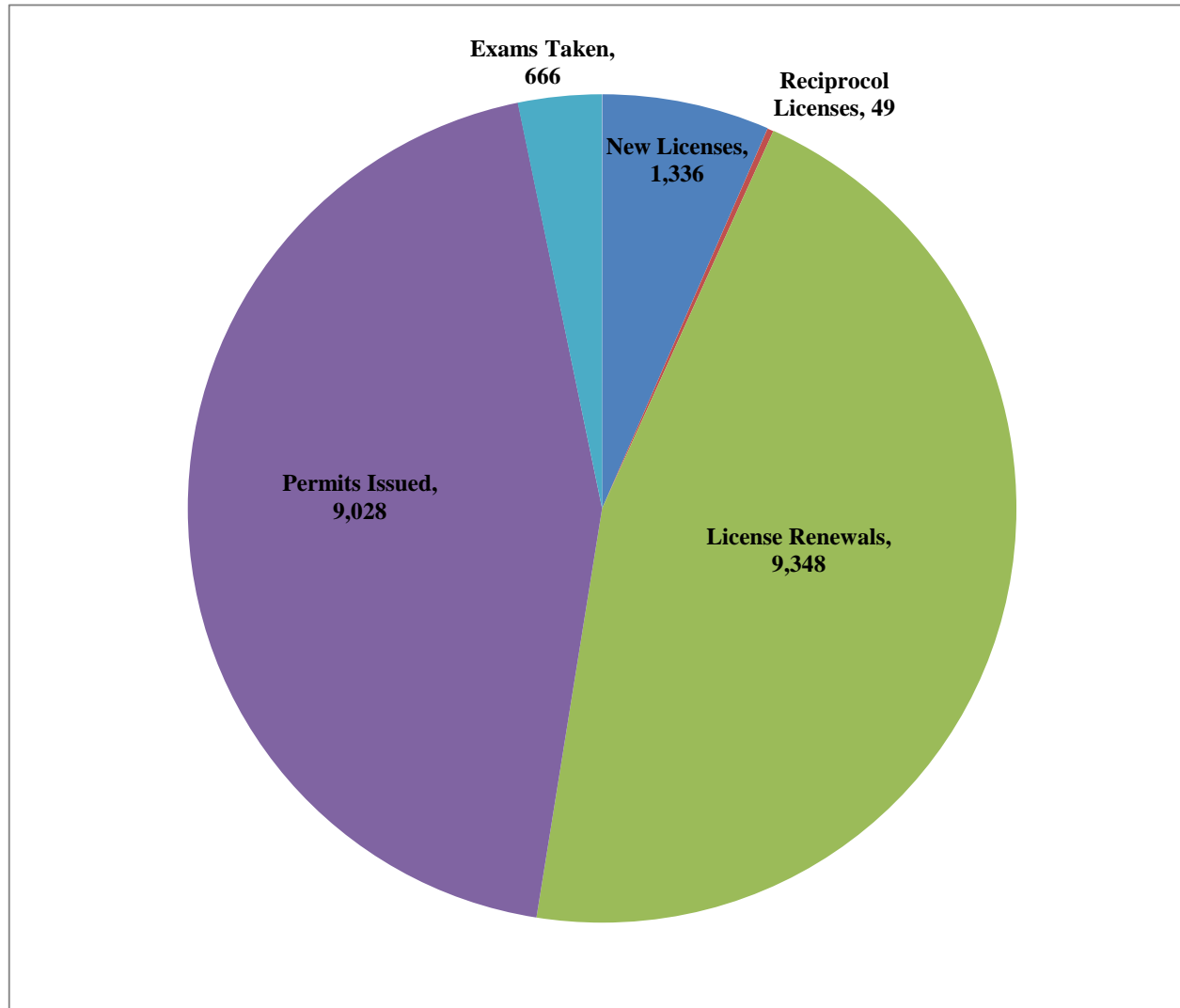


Source: State Accounting System

Note: The schedule above does not include financial schedule adjustments made during the examination.

NEBRASKA STATE ELECTRICAL DIVISION  
**PERMITS, LICENSES, AND EXAMS**  
For the Fiscal Year Ended June 30, 2017

**Exhibit B**



Source: Nebraska State Electrical Division permit and licensing system