



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

Charlie.Janssen@nebraska.gov

PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.nebraska.gov

January 30, 2017

Bradley Rice, Colonel
Nebraska State Patrol
1600 Highway 2
Lincoln, Nebraska 68502

Dear Colonel Rice:

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nebraska (State) as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, we have issued our report thereon dated December 15, 2016. In planning and performing our audit, we considered the State's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements of the State, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in the Agency's internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that were not identified.

Draft copies of this letter were furnished to the Agency to provide management with an opportunity to review and to respond to the comment and recommendation contained herein. Any formal response received has been incorporated into this letter. Such response has been objectively evaluated and recognized, as appropriate, in the letter. A response that indicates corrective action has been taken was not verified at this time, but it will be verified in the next audit.

The following is our comment and recommendation for the year ended June 30, 2016.

1. Lapsing of Year-End Vacation Hours

The 2015-2017 Labor Contract between the State of Nebraska and the Law Enforcement Bargaining Unit, Section 11.2.2, Balancing of Vacation Leave, states the following:

An employee's accumulated vacation time which is in excess of 280 hours shall be forfeited as of December 31st of each calendar year.

During testing, we noted one employee's vacation hours exceeded the 280 hour limit by 51.84 hours at December 31, 2015. However, the excess hours were not properly lapsed. Consequently, the amount reported for accrued compensated absences was overstated by \$1,883. The Agency corrected the leave balance after notification by the Auditor of Public Accounts.

When vacation hours exceeding the maximum rollover amount are not properly lapsed at December 31st, employees' leave balances will not be proper, and the amount reported for accrued compensated absences will be overstated.

We recommend the Agency implement procedures to review employee vacation balances at December 31st to ensure any amounts in excess of the maximum allowed carryover are properly lapsed.

Agency Response: The State Patrol acknowledges that one employee's vacation hours exceed the allowed 280-hour limit. The Agency has removed the hours that were over the allowed limit, and has corrected the employee's balance. The Agency has also implemented procedures to review employee vacation balances as of each December 31 to ensure any amounts in excess of the maximum allowed carryover are properly lapsed. On an annual basis, the Agency will review such balances within the first quarter of the calendar year, and ensure that balances are properly lapsed as required by the terms of the Labor Contract.

* * * * *

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

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

A handwritten signature in blue ink that reads "Philip J. Olsen". The signature is fluid and cursive, with a long horizontal stroke at the end.

Philip J. Olsen, CPA, CISA
Audit Manager