

**ATTESTATION REPORT
OF THE
NEBRASKA STATE PATROL**

JULY 1, 2015, THROUGH DECEMBER 31, 2016

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Issued on June 30, 2017

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NEBRASKA STATE PATROL

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NEBRASKA STATE PATROL

BACKGROUND

The Nebraska State Patrol (State Patrol) is a multidimensional law enforcement agency established by legislative mandate in 1937. State Patrol officers perform a wide variety of duties. Those include working with communities to improve public safety, enforcing traffic laws and drug laws, investigating crimes, and enforcing the laws and regulations pertaining to motor carriers.

The superintendent's office directly supervises professional standards including internal affairs, human resources, public information, capitol security and executive protection, and information technology. Other State Patrol duties are classified under three general areas; administrative and support services, investigative services, and field services. Officers of the State Patrol also provide executive protection for the Governor and the Governor's family, legislative security, and Supreme/Appellate Court security. The Internal Affairs Division provides the agency a means of maintaining professional conduct within the State Patrol. The Internal Affairs lieutenant receives complaints from the public and within the agency and initiates administrative investigations into complaints that allege misconduct. The Division also tracks incidents where officers are required to use force or discharge weapons in the performance of their duties.

The State Patrol maintains its main headquarters in Lincoln, with troop area headquarters in Lincoln, Omaha, Norfolk, Grand Island, North Platte, and Scottsbluff.

Administrative and Support Services

Administrative and Support Services includes accounting, grants, human resources, supply, radio engineering, purchasing, Combined Law Enforcement Information Network (CLEIN) administration, research and planning, project management, and the training academy.

Investigative Services Division

The Investigative Service Division includes criminal investigations, drug investigations, the Nebraska Information Analysis Center (intelligence sharing of all crimes and hazards), identification (fingerprint and criminal history files), and the following divisions: alcohol/tobacco, auto fraud, crime lab, cold case, internet crimes, and the sex offender registry program.

Field Services

Field Services include highway patrolling, crash investigations, motor carrier enforcement, SWAT team services, Aviation Support Division, Bomb Squad, Community Policing, and the K-9 divisions.

NEBRASKA STATE PATROL

KEY OFFICIALS AND AGENCY CONTACT INFORMATION

State Patrol Executive Management

Name	Title
Colonel Brad Rice	Superintendent
Lieutenant Colonel Thomas Schwarten	Assistant Superintendant
Major Mike Gaudreault	Field Services Major
Major Russ Stanczyk	Administrative Services Major
Carol Aversman	Controller

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NEBRASKA STATE PATROL

SUMMARY OF COMMENTS

During our examination of the State Patrol, 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: Comment 1 (Inappropriate Leave Payout), Comment 2 (Deposits Not Timely), Comment 3 (Internet Receipt Coding), Comment 4 (Lack of Segregation of Duties Over Payroll), Comment 6 (Lack of Segregation of Duties Over Capital Assets), Comment 9 (Lack of Segregation of Duties Over Evidence), and Comment 11 (Expenditures Coding), 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. ***Inappropriate Leave Payout:*** Three of five terminations tested resulted in an overpayment of vacation leave due to leave balances not being properly adjusted at year end.
2. ***Deposits Not Timely:*** We noted 12 of 26 receipts for background checks or permits to carry a concealed handgun were not deposited within three days in accordance with State statute.
3. ***Internet Revenue Coding:*** We noted 4 of 26 Criminal Identification Division (CID) revenues were improperly recorded as Miscellaneous revenues rather than Sales and Charges revenues. A total of \$525,936 of CID receipts were incorrectly recorded as Miscellaneous revenues.
4. ***Lack of Segregation of Duties Over Payroll:*** We noted the State Patrol did not have an adequate segregation of duties over payroll expenditures, as no review was performed by an individual without payroll access.
5. ***Leave Balances:*** We noted the State Patrol relies on an internal timekeeping system to track leave balances instead of the State's accounting system, EnterpriseOne (E1). For 1 of 24 employees tested, leave was not correctly accrued. Additionally, adequate documentation was not on file for two of two negative leave balances tested.
6. ***Lack of Segregation of Duties Over Capital Assets:*** We noted a lack of segregation of duties over capital asset records. Additionally, there was no review of the Additions and Retirements Report by an individual without system access to capital asset records and no approval by a second individual of the Surplus Property Notification forms.
7. ***Internal Controls Over Range Ammunition:*** The State Patrol did not have sufficient policies or procedures in place to ensure its range ammunition was properly accounted for.
8. ***Incorrect Asset Information:*** We noted three assets were coded with the incorrect asset type. For 2 of 10 asset additions tested, the cost in E1 was not correct. For 7 of 25 assets traced from E1, the assets were not properly tagged. Additionally, an airplane owned by the State Patrol was not tagged and entered into the E1 capital asset records.

NEBRASKA STATE PATROL

SUMMARY OF COMMENTS

(Concluded)

9. ***Lack of Segregation of Duties Over Evidence:*** Evidence Technicians maintain evidence storage facilities and have the ability to change the status of evidence to “finalized” in the evidence database.
10. ***Overtime:*** The State Patrol spent \$3,002,502 on 94,976 hours of overtime and compensatory time during the period July 1, 2015, through December 31, 2016. As it was beyond the scope of our examination, we did not calculate an estimate of any possible savings if the State Patrol were to be staffed at various different levels.
11. ***Expenditures Coding:*** Four of 20 expenditure documents tested were not properly recorded on the State’s accounting system. As a result, the State Patrol had to reclassify \$829,000 of Operating expenditures as Capital Outlay expenditures on the Schedule of Revenues, Expenditures, and Changes in Fund Balances.
12. ***Vehicle Usage:*** Per review of the State Patrol vehicle mileage during the examination period, 88 of 741 vehicles averaged less than 500 miles per month. In addition, the State Patrol recorded miles to 103 vehicles that either had been disposed of prior to the July 1, 2015, or could not be traced to a vehicle currently owned by the State Patrol.

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 State Patrol.

Draft copies of this report were furnished to the State Patrol 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 PATROL

COMMENTS AND RECOMMENDATIONS

1. **Inappropriate Leave Payout**

For three of five terminations tested, the employees’ vacation leave payout was improper due to the leave balance not being properly adjusted at year end.

Employee	Vacation Leave Carried Over	Excess Leave Carried Over	Resulting Overpayment
Employee 1	291 hours	11 hours	\$173
Employee 2	298 hours	18 hours	\$565
Employee 3	281 hours	1 hour	\$45

This was caused by the State Patrol not lapsing vacation leave promptly after the calendar year end and then not lapsing prior to vacation payouts when the employee terminated employment.

In addition, the APA noted one employee was allowed to earn 211 hours of vacation during a year when the maximum allowed was 200 hours, resulting in an overpayment of \$363.

It was also noted that, for one of five terminations tested, the employee was underpaid \$1,149 for 34 sick leave hours because his sick leave balance was not properly adjusted at year end. The employee terminated on December 31, 2015, and was eligible to be paid out all leave earned during the calendar year 2015; however, on January 1, 2016, the accounting system automatically reduced the employee’s sick leave balance to 1,440 hours, and the State Patrol did not make the necessary adjustments to pay the employee properly for leave earned during the calendar year.

Title 273 Nebraska Administrative Code (NAC) 10-004.02 states, in relevant part, “All employees’ accumulated vacation time in excess of thirty-five days shall be forfeited as of December 31 of each calendar year.”

The Department of Administrative Services’ (DAS) State Accounting Manual, Leave Adjustment Procedure, contains the following:

In the case of sick leave . . . the balance will automatically be rolled back to 1440 hours. . . . After the leave roll over process is complete, all agencies must examine all employees on the Leave Report for the last pay period of the calendar year just completed. Agencies are responsible for making adjustments to leave balances.

When procedures are not in place to ensure leave payouts are done in accordance with the NAC and the DAS Accounting Manual, there is an increased risk that employees will be paid out incorrectly.

We recommend the State Patrol strengthen its procedures for lapsing leave at year end. We also recommend the State Patrol strengthen its procedures for calculating terminated employee leave payouts.

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COMMENTS AND RECOMMENDATIONS
(Continued)

1. **Inappropriate Leave Payout** (Concluded)

State Patrol Response: The Nebraska State Patrol (NSP) will implement deadlines to ensure that all leave is lapsed by no later than the end of the first quarter following the end of the calendar year. Additionally, it will strengthen its procedures to ensure that employees are not incorrectly paid for their remaining leave balances should they retire or resign prior to NSP having lapsed any balances that exist in excess of that permitted at year-end. An additional review step has been added to ensure that the payout of leave balances are calculated correctly.

2. **Deposits Not Timely**

Twelve of 26 receipts for background checks and permits to carry a concealed handgun were not deposited in accordance with State statute. The amounts received on the days below exceeded \$500 and should have been deposited within three days.

	Location	Received	Deposited	Business Days to Deposit	Days Receipt Should Have Been Deposited
1	Troop C	5/5/2016	5/17/2016	8	3
2	Troop D	6/28/2016	7/8/2016	7	3
3	Troop D	7/18/2016	8/5/2016	14	7
4	Troop B	12/21/2016	1/11/2017	13	7
5	Troop C	10/23/2015	11/2/2016	6	3
6	Criminal Identification Division	12/7/2016	12/14/2016	5	3
7	Criminal Identification Division	8/24/2015	9/1/2015	6	3
8	Criminal Identification Division	3/17/2016	3/23/2016	4	3
9	Criminal Identification Division	12/20/2016	12/28/2016	5	3
10	Criminal Identification Division	11/9/2015	11/13/2015	4	3
11	Criminal Identification Division	12/28/2016	1/4/2017	4	3
12	Criminal Identification Division	12/21/2016	12/28/2016	4	3

Neb. Rev. Stat. § 84-710 (Reissue 2014) states, in relevant part, the following:

It shall be unlawful for any executive department, state institution, board, or any officer acting under or by virtue of any statute or authority of the state, including the State Racing Commission, to receive any fees, proceeds from the sale of any public property, or any money belonging to the state or due for any service rendered by virtue of state authority without paying the same into the state treasury within three business days of the receipt thereof when the aggregate amount is five hundred dollars or more and within seven days of the receipt thereof when the aggregate amount is less than five hundred dollars.

It was also noted that two of four cashier checks tested, which were placed in the Evidence Bank Account, were not deposited in a timely manner.

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COMMENTS AND RECOMMENDATIONS
(Continued)

2. **Deposits Not Timely** (Concluded)

Amount	Cashier Check Created	Cashier Check Deposited	Business Days to Deposit
\$19,365	10/23/2015	11/9/2015	11
\$70,020	9/23/2015	11/9/2015	32

While these checks do not fall under the statute referenced above, a good internal control plan requires procedures to be in place to ensure that money received is deposited in a timely manner. Without such procedures, there is an increased risk that funds may be lost or stolen.

We recommend the State Patrol strengthen its controls to ensure deposits are made in a timely manner and in accordance with State statute, when applicable.

State Patrol Response: The NSP will provide additional training to all Troop Area personnel that are responsible for making deposits to ensure that they fully understand the policy regarding timely deposit of funds within three days. Additionally, the Accounting Department will monitor the timeliness of such deposits, and will take steps to address any untimely deposits should they occur in the future.

3. **Internet Revenue Coding**

Four of 26 Criminal Identification Division (CID) revenues selected for testing were improperly recorded as Miscellaneous revenues, instead of as Sales and Charges revenues. The four revenues tested were electronic payments collected by the State Treasurer. Upon receiving the payment, the State Treasurer recorded the revenues to a Miscellaneous revenue account, and it was then the responsibility of the State Patrol to review those entries and correct the coding to Sales and Charges revenues.

For two of the four miscoded revenues, the State Patrol made inaccurate adjusting entries, which resulted in overstating Miscellaneous revenues and understating Sales and Charges revenues. For the other two revenues, the State Patrol had not made a correcting entry to change the revenue classifications from Miscellaneous revenues to Sales and Charges revenues.

During the period July 1, 2015, to December 31, 2016, internet revenues, totaling \$525,936, were incorrectly recorded as Miscellaneous revenues.

Sound accounting practices and a good internal control plan require procedures to be in place to ensure journal entries are coded correctly in a timely manner. As a result of this miscoding, the financial statements were required to be adjusted to reflect more accurately the State Patrol's financial activity.

We recommend the State Patrol strengthen its procedures to ensure entries made by the State Treasurer are accurately adjusted in a timely manner.

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COMMENTS AND RECOMMENDATIONS

(Continued)

3. **Internet Revenue Coding** (Concluded)

State Patrol Response: NSP has refined its reconciliation process of the Criminal Identification Division internet revenues received through the State Treasurer's office to tracking reports. NSP was aware that additional coding needed to occur to properly classify the revenues received via the internet. However, additional training and review of the coding prepared by the State Treasurer's office needed to occur in order to understand the coding and to tie it back to the service provider's reports. The NSP has taken those additional steps, and has made significant progress in preparing the journal entries needed to reconcile and code these revenues. The NSP does not foresee this finding occurring in the future as it has strengthened its process.

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

EnterpriseOne (E1), 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 State Patrol 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 State Patrol had separate individuals who processed payroll, reviewed the payroll register, and verified the payroll register to detailed timesheets; however, these reviews were performed by individuals with payroll access. The State Patrol had \$88,068,096 in personal service expenditures during the period July 1, 2015, through December 31, 2016.

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

State Patrol Response: NSP has taken steps to change the access of the final payroll reviewer. This individual (Controller), no longer has the ability to make changes to any payroll items within E-1.

5. **Leave Balances**

Our testing of employee vacation and sick leave balances and activity revealed the following:

- The State Patrol relies on an internal timekeeping system, Lotus Notes, to track vacation leave, sick leave, and compensatory time balances for employees on monthly payroll periods. In the prior attestation, it was noted that adjustments were being made to bring

NEBRASKA STATE PATROL

COMMENTS AND RECOMMENDATIONS
(Continued)

5. **Leave Balances** (Continued)

EnterpriseOne (E1), the State's accounting system, into agreement with Lotus Notes balances; however, this has not yet been completed. The State Patrol has been working to correct this, and its goal is to have all correct balances in E1 by July 1, 2017. When the State Patrol's internal leave balance tracking system and E1 do not agree, there is an increased risk that leave payouts will be incorrect. A similar finding was noted in our previous report for the period April 1, 2008, through March 31, 2009.

- For 1 of 24 employees tested, the employee improperly earned five sick and four vacation hours while receiving workers' compensation payments, which is not to be considered when calculating leave earned. Regular hours worked and sick leave hours used during the pay period accounted for 76% of the total pay, but sick leave and vacation leave were accrued at 100%. When procedures are not in place to ensure that leave earned is proper, there is an increased risk employees will accrue excess leave.
- For two of two negative leave balances tested, no documentation was on file to support that the negative leave had been approved. The employees had negative leave balances of 27 and 2 hours. As of April 12, 2017, both employees had positive leave balances. When negative leave balances are not properly approved, there is an increased risk that an employee will terminate with negative leave, and his or her final payout will not be properly reduced for the negative leave.

A good internal control system requires that E1, the State's accounting system, be utilized and relied upon to maintain the correct leave and compensatory time balances.

Section 11.2.3 of the State Law Enforcement Bargaining Council contract states the following:

Employees who leave employment shall be paid for any unused accumulated vacation leave earned, calculated on their base hourly rate. Pay for the unused accumulated vacation leave shall be in a lump sum addition to the employee's last paycheck.

A good internal control plan requires that employee leave usage be reviewed to ensure that when employees use more leave than they have earned, that this excess leave is approved by management.

Title 273 NAC 10-008.02A states, in relevant part, the following:

Employees on workers' compensation shall be treated as part-time employees for the purposes of leave earnings. They shall earn prorated sick and vacation leave based on the number of hours worked and/or accrued leave time hours used to supplement the workers' compensation payment.

We recommend the State Patrol complete its leave balancing between Lotus Notes and E1. In addition, appropriate reviews should be completed to ensure adjustments to these balances are accurate. We also recommend the State Patrol strengthen its procedures for review of leave earned and used to ensure leave earned is properly calculated and any documentation for negative leave is obtained.

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COMMENTS AND RECOMMENDATIONS

(Continued)

5. Leave Balances (Concluded)

State Patrol Response: NSP is moving to a new time-sheet system (KRONOS). In conjunction with this implementation (currently scheduled for September 2017), it will be deactivating its internal leave tracking system in Lotus Notes. Therefore, it will be necessary to have all leave balances accurately reflected in E-1 by that point in time. Currently all employees paid through biweekly payrolls already have their leave balances accurately reflected in E-1. NSP has been making progress on reconciling balances in E-1 for its employees paid through the monthly payroll, and fully intends on completing this process by September 2017. NSP will also implement additional steps to review leave reporting to ensure that no employees' balances are allowed to be negative, and that balances are accrued accurately for employees who receive worker's comp payments, as well as ensuring that no other abnormalities in leave balances exist.

6. Lack of Segregation of Duties Over Capital Assets

We noted a lack of segregation of duties over capital asset records. Two individuals, one for information technology assets and one for all other assets, were responsible for adding assets, changing asset information, and initiating the disposal of an asset in the accounting system, EnterpriseOne (E1). They also performed the annual inventory, reviewed the Additions and Retirements Report, and reviewed the Fixed Asset Integrity Reports. The State Patrol did not have a procedure in place for a secondary review of the Additions and Retirements Report or the Fixed Asset Integrity Reports by an individual without access to adjust capital asset records. Additionally, the State Patrol did not require an approval from a second individual for passed transaction exception reports and the Surplus Property Notification forms.

The State Patrol had \$45,358,620 of capital assets at December 31, 2016. The State Patrol had \$8,475,861 additions and \$3,726,847 of disposals of capital assets during the period July 1, 2015, through December 31, 2016.

A good internal control plan requires an adequate segregation of duties to ensure that no one individual is able both to perpetrate and to conceal errors or irregularities in capital asset records. Without an adequate segregation of duties, there is an increased risk for misuse or loss of State assets. A similar finding was noted during the previous report for the period April 1, 2008, through March 31, 2009.

We recommend the State Patrol establish secondary review procedures for the Additions and Retirement Report, Fixed Asset Integrity Reports, and Surplus Property Notification forms. These reviews should be performed by someone without the ability to adjust asset information in E1 and should also be documented.

State Patrol Response: NSP will attempt to identify another existing employee who does not have access to the FA system to review the Additions and Retirements Report, the Fixed Asset Integrity Report, and Surplus Property Notification Forms. At this time, funding does not exist in NSP's budget to increase its overall employee base.

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COMMENTS AND RECOMMENDATIONS

(Continued)

7. Internal Controls Over Range Ammunition

The State Patrol lacks sufficient internal controls over its range ammunition to reduce the risk of theft or abuse. Range ammunition is maintained at the six different troop areas and used for firearms training. Each of the six troop areas has a State Range Officer who is responsible for ensuring adherence to the State Patrol's firearms qualification policies. Upon purchase, the range ammunition is divided among the various troop areas, where it is stored until needed for training. When training is scheduled, the State Range Officer selects the amount of ammunition needed and delivers it to the range.

The State Range Officers perform an annual inventory of range ammunition, which is used to determine the amount of purchases necessary. In all of the six troop areas, the State Patrol stores the range ammunition in locked areas to which access is restricted. However, the State Range Officer with access to the range ammunition is also responsible for performing the inventory count.

The State Patrol does not have policies and procedures in place that described how the State Range Officers are to track the range ammunition inventory. Likewise, the State Patrol has no computer system for State Range Officers to use in tracking either the receipt or subsequent use of purchased ammunition. Without policies and procedures for documenting how range ammunition is to be tracked, there is an increased risk that range ammunition may be lost or stolen.

In fact, recent events have proven that the risk posed by the State Patrol's lack of sufficient internal controls over its range ammunition is not merely a remote contingency. In May of 2017, State Patrol Investigator Christopher Kober of Bellevue, Nebraska, was charged in the Sarpy County Court with one count of "theft by receiving stolen property," in violation of Neb. Rev. Stat. § 28-517 (Reissue 2016). Between September 16, 2016, and March 18, 2017, Trooper Kober is alleged to have obtained no less than \$5,000 worth of ammunition stolen from the State Patrol. The outcome of the Class IIA felony criminal complaint filed against Trooper Kober is pending.

This incident of alleged fraudulent activity and misappropriation highlights the need for stricter internal control, through the implementation of detailed policies and procedures, over the State Patrol's range ammunition.

We recommend the State Patrol implement policies and procedures to ensure range ammunition is properly accounted for, and only authorized removals of that inventory are permitted. We also recommend a second individual be involved in the inventory count.

State Patrol Response: NSP will modify and strengthen its policies and procedures related to its range ammunition usage. It will also implement the procedure of utilizing a second existing NSP employee to review the amount of ammunition used and remaining after range exercises.

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COMMENTS AND RECOMMENDATIONS

(Continued)

8. Incorrect Asset Information

The following items were noted during testing of capital assets:

- For 3 of 20 capital assets tested, the asset type was incorrect in the accounting system, EnterpriseOne (E1). The asset type determines the asset's estimated useful life, which impacts the depreciation expense calculation. The three assets were classified as Vehicles & Vehicle Equipment with a useful life of five years, but they should have been coded to Law Enforcement & Security Equipment, which has a useful life of 10 years. The three assets were a portable scale, a rollover simulator, and a handgun. When not properly classified, there is an increased risk that assets will be disposed of before the end of their actual useful life and depreciation expense will be improperly calculated.
- For 2 of 10 capital asset additions tested, the cost in E1 was incorrect. The purchase of nine Dell laptops was posted with an asset cost of \$5,186 per unit, but the cost should have been \$1,729 per unit. This resulted in capital assets being overstated by \$31,116. It was also noted that the purchase of a \$4,525 Access Control Panel upgrade was posted without the \$2,053 installation cost, which should have been included in its value. When the correct values of capital assets are not recorded in E1, there is an increased risk that the capital asset footnote disclosure will be misstated.
- Seven of 25 assets selected from the capital asset records were not properly tagged or could not be found. Two assets, a laptop acquired on August 3, 1999, and a router acquired on August 1, 2002, were unable to be located but were recorded as "Working" status in E1. Two additional assets, a bomb helmet with visor kit and a Cannon EOS digital camera, had tags marking the assets as "Property of State of Nebraska," but the tag numbers did not agree to those found in the capital asset records. Three assets, a truck box, radar equipment, and a Ford Flex van, were located but were missing an asset tag. When a capital asset cannot be located or is not properly tagged, there is an increased risk that assets may be lost or stolen and not identified in a timely manner. A similar finding was noted in our previous report for the period April 1, 2008, through March 31, 2009.
- One State Patrol airplane was not tagged and entered in the capital asset records. When not included in the capital asset records, there is an increased risk that assets owned by the State Patrol may be lost or stolen and not identified in a timely manner. Additionally, when assets are not included in the capital asset records, the State Patrol's assets and depreciation expense will be understated.

A good internal control plan requires that procedures be in place to ensure assets are correctly and consistently coded.

Neb. Rev. Stat. § 81-1118.02(3) (Reissue 2014) states, "Each such executive, department, commission, or other state agency shall indelibly tag, mark, or stamp all such property belonging to the State of Nebraska, with the following: Property of the State of Nebraska."

NEBRASKA STATE PATROL

COMMENTS AND RECOMMENDATIONS

(Continued)

8. **Incorrect Asset Information** (Concluded)

We recommend the State Patrol review item codes and asset costs for new assets on the Additions & Retirements report to ensure they are correct. We further recommend the State Patrol strengthen its procedures to ensure all assets receive an asset tag prior to being put in use. Finally, we recommend the State Patrol ensure assets are correctly marked as missing or surplus in a timely manner.

State Patrol Response: As noted in item #6, NSP will take steps to improve the review of the Additions and Retirements Report to ensure costs are accurately reported. Additionally, it will take steps to improve the tagging of its fixed assets to ensure that they are properly tagged.

9. **Lack of Segregation of Duties Over Evidence**

The State Patrol did not have procedures in place to ensure that all items changed to a “finalized” status in their evidence database had been disposed of properly. Evidence Technicians were responsible for maintaining evidence at storage facilities and had the ability to change the status of evidence within the State Patrol’s evidence database. While additional individuals were to be involved in the process of destroying or returning evidence to appropriate parties, the State Patrol lacked a procedure for verifying that all evidence placed in a “finalized” status had been properly designated. Without these procedures, there is an increased risk that items placed in a “finalized” status may not be properly destroyed or returned and this would not be identified in a timely manner. A similar finding was noted in our previous report for the period April 1, 2008, through March 31, 2009.

During testing of evidence procedures, it was also noted that the quarterly inspections for two of six troop areas tested did not include all in-custody property storage areas, as required by State Patrol policies.

A good internal control plan requires a segregation of duties for individuals with physical access to evidence items and the ability to adjust data in the evidence database.

The Nebraska State Patrol Policy Manual, Chapter 9, “Property Management of In-Custody Evidence & Found/Recovered Property,” Section X.A, states, “The troop area or Division Commander shall direct a lieutenant to conduct an inspection of all in-custody property storage areas quarterly.”

We recommend the State Patrol implement controls to ensure individuals who maintain evidence items do not have the ability to change the status of items to “finalized” in the evidence database without involving a separate individual. Additionally, we recommend all troop areas follow State Patrol policy for quarterly inspections of evidence areas.

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COMMENTS AND RECOMMENDATIONS

(Continued)

9. Lack of Segregation of Duties Over Evidence (Concluded)

State Patrol Response: The activities involving the destruction of evidence and the completion of the NSP Form 722 (Destruction of Evidence) are observed by the Evidence Technician's Supervisor. The NSP will take steps to reconcile the Form 722's to the Records Management System where the Evidence Technician records the status of evidence as "finalized". This reconciliation step will add an internal control "check and balance" to this process.

The Commission on Accreditation for Law Enforcement Agencies ("CALEA") has a specific standard regarding the inspection of evidence that the State Patrol follows and that has been reviewed by CALEA to ensure we are meeting the standard. That standard states that an Agency must maintain a high degree of evidentiary integrity over agency controlled property and evidence. It requires an inspection to determine adherence to procedures used for control of property is conducted semi-annually by the person responsible for the property and evidence control function or his/her designee. These inspections are intended to ensure that the in-custody property management process itself is working. The Agency is conducting its inspections in a manner to ensure compliance with the CALEA standard. A document providing the CALEA Accreditation Standard has been provided to the State Auditors.

Inspections are occurring every quarter in every troop area. However, it appears that in some cases only one Inspection Form per quarter has been completed, regardless of the number of property rooms inspected. For Troop Areas with multiple property rooms, this can lead to a lack of clarity as to which property rooms are being inspected to ensure the procedures are working and being followed. The procedures used to manage the property is universal between property rooms. However, a separate form may not have been filled out for each individual property room, even if all were inspected. The State Patrol policy will be revised in the near future to provide clarity on the documentation of property room inspections.

10. Overtime

We noted that the State Patrol spent \$3,002,502 on 94,976 hours of overtime and compensatory time during the period July 1, 2015, to December 31, 2016. As it was beyond the scope of our examination, we did not calculate an estimate of any possible savings if the State Patrol were to be staffed at various different levels. The State Patrol may wish to consider performing such an analysis.

Overtime straight hours paid were not included in the overtime total because those hours were paid at the employee's regular hourly rate. Overtime hours paid by Federal grants were also excluded, as many of those involve extra State Patrol duties.

The table below outlines the top 15 employees who earned overtime and compensatory time during the examination period.

NEBRASKA STATE PATROL

COMMENTS AND RECOMMENDATIONS
(Continued)

10. **Overtime** (Concluded)

Employee	Job Title	Overtime and Comp. Hours Worked	Overtime and Comp. Time Gross Wages	Hourly Wage at March 2017	March 2017 Wage Rate Times 2080 Hours
1	State Patrol Sergeant	589.50	\$24,928	\$28.89	\$60,091
2	State Patrol Trooper	508.00	24,389	33.63	69,950
3	State Patrol Investigator	416.50	22,191	36.23	75,358
4	State Patrol Sergeant	427.00	21,913	35.20	73,216
5	State Patrol Trooper	494.75	21,304	33.63	69,950
6	State Patrol Investigator	398.50	21,229	36.23	75,358
7	IT Infrastructure Support Analyst	681.50	20,494	22.02	45,808
8	State Patrol Sergeant	315.50	18,450	40.53	84,302
9	State Patrol Sergeant	406.00	18,389	34.22	71,178
10	State Patrol Trooper	382.00	17,943	32.64	67,891
11	State Patrol Trooper	401.00	17,940	30.75	63,960
12	State Patrol Trooper	429.00	17,369	27.30	56,784
13	State Patrol Communications Specialist	750.00	16,813	17.88	37,188
14	State Patrol Sergeant	394.60	16,655	28.89	60,091
15	Security Guard	978.00	16,299	11.88	24,719

We recommend the State Patrol review the appropriateness of the overtime and compensatory hours worked by its employees. The APA will refer this matter to the Legislature’s Performance Audit Committee for possible further consideration.

State Patrol Response: The NSP monitors its overtime expenditures on a monthly basis, and addresses any concerns with high levels of overtime as they occur. Because of its extensive recruitment and training process for officer recruit candidates, the NSP typically has a large number of vacant positions. This large number of vacancies generally result in a fairly significant amount of overtime. It is also important to note that the strict qualifications for officer candidates has resulted in identifying a fewer number of qualified candidates than the number of existing vacancies. At present, NSP has over 40 sworn officer vacancies.

11. **Expenditures Coding**

For 4 of 20 expenditures tested, the coding was incorrect for the object account.

Two expenditures, totaling \$829,000, were recorded to Operating expenditures when they should have been recorded to Capital Outlay. The financial schedule was adjusted to reflect this expenditure correctly as a Capital Outlay expenditure. These assets were also added to the Capital Assets footnote.

NEBRASKA STATE PATROL

COMMENTS AND RECOMMENDATIONS

(Continued)

11. Expenditures Coding (Concluded)

A third expenditure was for a \$78,000 capital asset, but it was recorded to the incorrect Capital Outlay object account. The expenditure was recorded as “Computer Equipment and Software” when it should have been recorded as “IT Projects in Progress,” as the project had not been completed. This error did not require an adjustment to the financial schedule because the expense was recorded to a Capital Outlay account.

Lastly, an expenditure for FBI fingerprint processing included one \$179 payment recorded incorrectly as a reduction to Sales and Charges revenues, rather than an Operating expenditure. As a result, Sales and Charges revenues and Operating expenditures were understated by \$179. This error did not require an adjustment to the financial schedule due to the dollar amount.

The Department of Administrative Services (DAS) State Accounting Manual, General Policies, states, in relevant part, the following:

[C]omputer software that is internally developed or substantively modified, shall be capitalized as a separate asset if the acquisition value is One Hundred Thousand Dollars (\$100,000) or more and has a life greater than one year. During the application development stage (as defined below) of software development the costs should be accumulated in object account 587500 – Projects in Progress. Once the project is complete the costs are moved to 583300 – Computer Equip & Software.

New EnterpriseOne (E1) Hardware and Software Capitalized Asset codes, including 587550 – IT Projects in Progress, were established by DAS to be used effective February 1, 2016.

A good internal control plan includes procedures to ensure the accurate coding of expenditures. Without such procedures, there is an increased risk that the financial schedule will be misstated.

We recommend the State Patrol strengthen its procedures to ensure the proper coding of expenditures. In particular, the State Patrol should begin coding incomplete software development projects to Object Account 587550, as outlined in the DAS State Accounting Manual.

State Patrol Response: The NSP will strengthen its review of coding of expenditures to ensure they are accurately classified. It will begin to code incomplete software development expenditures as “IT Projects in Progress.”

12. Vehicle Usage

Per review of the State Patrol vehicle mileage for the period July 1, 2015, through December 31, 2016, 88 of 741 vehicles averaged usage less than 500 miles per month. To determine this, the APA obtained mileage reported daily by State Patrol employees on their timesheets.

Sound business practice requires that vehicles be monitored to ensure proper utilization and justification for ownership.

NEBRASKA STATE PATROL

COMMENTS AND RECOMMENDATIONS

(Continued)

12. Vehicle Usage (Continued)

During the prior attestation, the APA noted several national governmental entities have stated a vehicle should be driven at least 12,000 miles a year and be used 70% of the workdays to economically justify maintaining ownership of that vehicle. Additionally, the Department of Administrative Services (DAS) Transportation Service Bureau (TSB) policies for lease vehicles state, "Leasing Agencies are expected to use each lease vehicle more than 1000 miles per month when averaged over the life of the lease."

Due to the nature of many State employees' job responsibilities, annual mileage of less than 12,000 miles may be expected for vehicles used for short trips or special purposes. As a result, the APA considered vehicles used less than 50% of this standard as not having reasonable use. Therefore, the APA documented vehicles used less than 6,000 miles a year (500 miles a month).

The APA also identified that the State Patrol recorded mileage to 81 vehicles that had been disposed of prior to the examination period and 22 vehicles that could not be traced to a vehicle currently owned by the State Patrol. As a result, 149,838 miles were not recorded to the correct vehicle.

Without adequate utilization of agency owned vehicles, there is an increased risk of unnecessary expenditures for repairs and maintenance as well as replacement vehicle costs. When vehicle usage is not correctly recorded on the timesheet, there is an increased risk management will base replacement vehicle decisions on inaccurate data. A similar finding was noted in our previous report for the period April 1, 2008, through March 31, 2009

We recommend the State Patrol establish formal vehicle utilization standards that include purpose or need for vehicle, miles driven, frequency of usage, costs of operation, and availability of alternate transportation. Identify and evaluate all vehicles not meeting their utilization standards and determine and document justification for continuing to operate vehicles that do not meet their utilization standards. We also recommend the State Patrol implement procedures to ensure the vehicle mileage reported on timesheets is recorded to the correct vehicle.

State Patrol Response: The State Patrol monitors the mileage of its extensive fleet of vehicles. The NSP has a number of special purpose vehicles that are not used on a regular basis (for example, swat vehicles and training academy vehicles). Therefore, the mileage of these vehicles will generally average less than 500 miles per month and may be utilized less than 7 days a month. The NSP considers 88 vehicles that fall within this range to be a reasonable level considering the number of specialty vehicles, training vehicles, vehicles driven for short trips, and new vehicles held in inventory for deployment in the event of accidents. The Agency has implemented procedures to ensure that vehicle mileage reported on timesheets is recorded to the correct vehicle. The Agency will also review vehicle usage as compared to purpose and need. Where possible, it will develop internal standards for the various categories of vehicles that are

NEBRASKA STATE PATROL

COMMENTS AND RECOMMENDATIONS
(Concluded)

12. Vehicle Usage (Concluded)

in its inventory and compare usage to those standards. Furthermore, it will evaluate the necessity of those vehicles that may fall below the internally developed standard. It is important to note that it may not be possible to develop standards for all types of vehicles. For example, the usage of Swat vehicles is contingent upon the number of swat related incidents, of which the Agency has no control over.

APA Response: While most of the 88 vehicles may fall into the different categories identified by the State Patrol, the APA reiterates its recommendation that the State Patrol develop formal vehicle utilization standards that the State Patrol would use to evaluate whether the vehicles in their fleet are necessary. Vehicles that do not meet the utilization standards should have documentation to support the justification of keeping the vehicle.



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NEBRASKA STATE PATROL

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska State Patrol
Lincoln, Nebraska

We have examined the accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balances of the Nebraska State Patrol for the period July 1, 2015, through December 31, 2016. The Nebraska State Patrol's management is responsible for the Schedule of Revenues, Expenditures, and Changes in Fund Balances 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 Balances 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 Balances 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 Balances. 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 Balances, 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 Balances for the period July 1, 2015, through December 31, 2016, 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 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, others within the Nebraska State Patrol, 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

June 21, 2017

NEBRASKA STATE PATROL
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Period July 1, 2015, through December 31, 2016

	General Fund 10000	Drug Control & Education Cash Fund 26410	Carrier Enforcement Cash Fund 26430	State Patrol Cash Fund 26440	Vehicle Replacement Cash Fund 26450	Public Safety Cash Fund 26460
REVENUES:						
Appropriations	\$ 88,924,003	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	-	199,942	-	(23)	-	(34,042)
Intergovernmental	431	4,261	-	33,090	-	486,204
Sales & Charges	-	257	-	4,002,233	-	(209)
Miscellaneous	5,864	6,077	61,536	98,494	15,969	130,431
TOTAL REVENUES	88,930,298	210,537	61,536	4,133,794	15,969	582,384
EXPENDITURES:						
Personal Services	69,383,116	-	8,733,651	2,021,776	-	-
Operating	16,770,754	110	1,100,522	1,652,614	-	759,835
Travel	279,908	-	26,108	27,659	-	42,751
Capital Outlay	2,490,225	179,056	449,291	2,073,592	992,193	927,747
Government Aid	-	-	-	-	-	-
TOTAL EXPENDITURES	88,924,003	179,166	10,309,572	5,775,641	992,193	1,730,333
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,295	31,371	(10,248,036)	(1,641,847)	(976,224)	(1,147,949)
OTHER FINANCING SOURCES (USES):						
Sales of Assets	42,729	-	-	-	498,794	-
Deposit to General Fund	(49,024)	-	-	-	-	-
Deposit to/from Common Fund	-	-	-	-	-	-
Operating Transfers In	-	-	11,713,706	728,969	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(6,295)	-	11,713,706	728,969	498,794	-
Net Change in Fund Balances	-	31,371	1,465,670	(912,878)	(477,430)	(1,147,949)
FUND BALANCES, July 1, 2015	2,039	125,805	1,114,713	3,191,036	917,286	4,480,005
FUND BALANCES, December 31, 2016	<u>\$ 2,039</u>	<u>\$ 157,176</u>	<u>\$ 2,580,383</u>	<u>\$ 2,278,158</u>	<u>\$ 439,856</u>	<u>\$ 3,332,056</u>
FUND BALANCES CONSIST OF:						
General Cash	\$ -	\$ 157,176	\$ 1,776,576	2,131,403	\$ 439,856	\$ 3,342,501
Petty Cash	-	-	2,900	150	-	-
Deposits with Vendors	-	-	471	-	-	-
Due From Other Funds	-	-	800,000	111,436	-	-
Due From Other Government	-	-	453	490	-	-
Due to Vendors	2,039	-	(787)	(100)	-	(10,445)
Due to Fund	-	-	-	-	-	-
AR Unapplied (System)	-	-	-	-	-	(7,295)
AR Invoiced (System)	-	-	770	34,034	-	7,295
NSF Items Suspense	-	-	-	358	-	-
Due from Employee	-	-	-	387	-	-
Rec'd - Not Vouchered	-	-	-	-	-	-
TOTAL FUND BALANCES	\$ 2,039	\$ 157,176	\$ 2,580,383	\$ 2,278,158	\$ 439,856	\$ 3,332,056

(Continued)

The accompanying notes are an integral part of the schedule.

NEBRASKA STATE PATROL
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Period July 1, 2015, through December 31, 2016

	CLEIN Cash Fund 26470	Public Safety Communications Cash Fund 26485	State Patrol Federal Fund 46410	Capitol Security Revolving Fund 56400	Common School Fund 61270	Totals (Memorandum Only)
REVENUES:						
Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 88,924,003
Taxes	-	4,480,000	-	-	-	4,645,877
Intergovernmental	-	-	10,271,296	-	-	10,795,282
Sales & Charges	548,177	-	-	769,378	-	5,319,836
Miscellaneous	2,959	11,128	13,462	36,463	231,678	614,061
TOTAL REVENUES	551,136	4,491,128	10,284,758	805,841	231,678	110,299,059
EXPENDITURES:						
Personal Services	-	-	6,682,778	1,246,775	-	88,068,096
Operating	-	3,208,657	1,485,760	57,539	-	25,035,791
Travel	-	-	107,002	-	-	483,428
Capital Outlay	-	734,324	890,446	1,800	-	8,738,674
Government Aid	-	-	1,502,559	-	-	1,502,559
TOTAL EXPENDITURES	-	3,942,981	10,668,545	1,306,114	-	123,828,548
Excess (Deficiency) of Revenues Over (Under) Expenditures	551,136	548,147	(383,787)	(500,273)	231,678	(13,529,489)
OTHER FINANCING SOURCES (USES):						
Sales of Assets	-	-	-	-	-	541,523
Deposit to General Fund	-	-	-	-	-	(49,024)
Deposit to/from Common Fund	-	-	-	-	(231,678)	(231,678)
Operating Transfers In	-	-	-	975,702	-	13,418,377
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	975,702	(231,678)	13,679,198
Net Change in Fund Balances	551,136	548,147	(383,787)	475,429	-	149,709
FUND BALANCES, July 1, 2015	-	278,435	(216,737)	861,087	-	10,753,669
FUND BALANCES, December 31, 2016	\$ 551,136	\$ 826,582	\$ (600,524)	\$ 1,336,516	\$ -	\$ 10,903,378
FUND BALANCES CONSIST OF:						
General Cash	\$ 551,136	\$ 826,582	\$ 279,055	\$ 1,324,810	\$ -	10,829,095
Petty Cash	-	-	-	-	-	3,050
Deposits with Vendors	-	-	314	-	-	785
Due From Other Funds	-	-	-	-	-	911,436
Due From Other Government	-	-	-	-	-	943
Due to Vendors	-	-	(4,396)	-	-	(13,689)
Due to Fund	-	-	(910,000)	(20,000)	-	(930,000)
AR Unapplied (System)	-	-	-	-	-	(7,295)
AR Invoiced (System)	-	-	18,598	31,706	-	92,403
NSF Items Suspense	-	-	-	-	-	358
Due from Employee	-	-	-	-	-	387
Rec'd - Not Vouchered	-	-	15,905	-	-	15,905
TOTAL FUND BALANCES	\$ 551,136	\$ 826,582	\$ (600,524)	\$ 1,336,516	\$ -	\$ 10,903,378

(Concluded)

The accompanying notes are an integral part of the schedule.

NEBRASKA STATE PATROL

NOTES TO THE SCHEDULE

For the Period July 1, 2015, through December 31, 2016

1. Criteria

The accounting policies of the Nebraska State Patrol (State Patrol) 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 (E1), 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 E1, which 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 State Patrol to record all accounts receivable and related revenues in E1; as such, the State Patrol'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, 2016, and not yet paid as of that date. The amount recorded as expenditures on the schedule, as of December 31, 2016, **does not** include amounts for goods and services received before December 31, 2016, which had not been posted to the general ledger as of December 31, 2016.

Other liabilities are recorded in an account entitled Due to Fund for the State Patrol. The assets in these funds are being held by the State and will be used to pay those liabilities to other funds. The recording of those liabilities reduces the fund balance/equity.

Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

The following fund types are established by State Accounting and used by the State Patrol:

10000 – General Fund – accounts for activities funded by general tax dollars and related expenditures and transfers.

NEBRASKA STATE PATROL

NOTES TO THE SCHEDULE

(Continued)

1. **Criteria** (Continued)

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 Fund – accounts 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.

50000 – Revolving Fund – accounts for the operation of State agencies that provide goods and services to other departments or agencies within State government.

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

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

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.

Taxes – Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. Taxes recorded as revenue for the State Patrol consist primarily of cigarette taxes.

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 charges for various licenses, permits, and fees, as well as services rendered.

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

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

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

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.

NEBRASKA STATE PATROL

NOTES TO THE SCHEDULE

(Continued)

1. Criteria (Concluded)

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 State Patrol 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. Other liabilities recorded in the general ledger for the State Patrol's funds at December 31, 2016, included amounts recorded in Due to Fund.

Other Financing Sources – Operating transfers and proceeds of fixed asset dispositions.

2. Reporting Entity

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

The State Patrol 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.

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.

NEBRASKA STATE PATROL

NOTES TO THE SCHEDULE
(Continued)

5. Capital Assets

Capital assets include equipment and software-in-progress. 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 State Patrol takes an annual inventory, recording in the State Accounting System all equipment that has a cost of \$1,500 or more at the date of acquisition.

For the CAFR, the State requires the State Patrol 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 – 10 years.

Capital asset activity of the State Patrol recorded in the State Accounting System for the period July 1, 2015, through December 31, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets				
Equipment	\$ 40,609,606	\$ 8,163,861	\$ (3,726,847)	\$ 45,046,620
Software-In-Progress	-	312,000	-	312,000
Total	<u>\$ 40,609,606</u>	<u>\$ 8,475,861</u>	<u>\$ (3,726,847)</u>	<u>\$ 45,358,620</u>
Less accumulated depreciation for:				
Equipment				\$ 30,961,748
Total				<u>30,961,748</u>
Total capital assets, net of depreciation				<u>\$ 14,396,872</u>

Note: The accumulated depreciation noted in the table above was calculated in the accounting system through November 30, 2016. Depreciation for December 2016 was not run in the accounting system until after the end of calendar year 2016.

NEBRASKA STATE PATROL

NOTES TO THE SCHEDULE
(Concluded)

6. Transfers

Operating Transfers In included \$11,713,706 transferred to the Carrier Enforcement Cash Fund from Department of Roads for the operation of the Carrier Enforcement Cash Fund, \$728,969 transferred to the State Patrol Cash Fund from Department of Roads to provide law enforcement coverage along State road construction zones, and \$975,702 transferred to the Capitol Security Revolving Fund from the State Building Revolving Fund for the operation of the State Capitol Security Division.

7. Outside Bank Accounts

The State Patrol controls two bank accounts that are not included in the State's accounting system. This activity is not included in the Schedule. This information is tracked internally by the State Patrol.

One bank account is used to account for cash obtained as part of State Patrol investigations. Deposits are made as cash is collected as part of State Patrol investigations, and withdrawals are made based upon court outcomes. Below is a table showing the activity in this account during the examination period.

Beginning Balance	Deposits	Withdrawals	Ending Balance
\$193,675	\$527,579	\$(334,409)	\$386,845

The State Patrol also has a bank account used for making drug purchases, enforcing Nebraska laws relating to felonies, enforcing Nebraska liquor laws, and payment of investigative expenses. The majority of deposits to this account come from appropriations, and withdrawals are disbursements to officers to use in their investigative work. Below is a table showing the activity in this account during the examination period.

Beginning Balance	Deposits	Withdrawals	Ending Balance
\$65,019	\$135,697	\$(111,061)	\$89,655

8. Due from Other Funds and Due to Funds

The \$800,000 Carrier Enforcement Cash Fund (26430) and the \$111,436 State Patrol Cash Fund (26440) Due From Other Funds receivable balances are funds due from the State Patrol Federal Fund (46410) which has a corresponding \$910,000 Due To Fund liability. These funds were transferred to the State Patrol Federal Fund in order to provide funds for the State Patrol to pay Federal program expenditures prior to being reimbursed by the Federal government.

NEBRASKA STATE PATROL

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 STATE PATROL
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Exhibit A

For the Period July 1, 2015, through June 30, 2016

	General Fund 10000	Drug Control & Education Cash Fund 26410	Carrier Enforcement Cash Fund 26430	State Patrol Cash Fund 26440	Vehicle Replacement Cash Fund 26450	Public Safety Cash Fund 26460
REVENUES:						
Appropriations	\$ 58,538,906	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	-	127,980	-	(17)	-	(34,042)
Intergovernmental	-	-	-	16,896	-	237,743
Sales & Charges	-	214	-	2,657,702	-	(209)
Miscellaneous	3,069	4,569	36,829	70,456	11,424	94,393
TOTAL REVENUES	58,541,975	132,763	36,829	2,745,037	11,424	297,885
EXPENDITURES:						
Personal Services	45,500,144	-	5,568,924	1,252,478	-	-
Operating	11,027,127	110	712,546	1,078,209	-	378,252
Travel	199,411	-	15,287	18,429	-	5,839
Capital Outlay	1,812,224	79,123	354,249	1,013,007	581,448	830,074
Government Aid	-	-	-	-	-	-
TOTAL EXPENDITURES	58,538,906	79,233	6,651,006	3,362,123	581,448	1,214,165
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,069	53,530	(6,614,177)	(617,086)	(570,024)	(916,280)
OTHER FINANCING SOURCES (USES):						
Sales of Assets	31,150	-	-	-	341,612	-
Deposit to General Fund	(34,219)	-	-	-	-	-
Deposit to/from Common Fund	-	-	-	-	-	-
Operating Transfers In	-	-	7,681,318	485,979	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(3,069)	-	7,681,318	485,979	341,612	-
Net Change in Fund Balances	-	53,530	1,067,141	(131,107)	(228,412)	(916,280)
FUND BALANCES, July 1, 2015	2,039	125,805	1,114,713	3,191,036	917,286	4,480,005
FUND BALANCES, June 30, 2016	<u>\$ 2,039</u>	<u>\$ 179,335</u>	<u>\$ 2,181,854</u>	<u>\$ 3,059,929</u>	<u>\$ 688,874</u>	<u>\$ 3,563,725</u>
FUND BALANCES CONSIST OF:						
General Cash	\$ -	\$ 179,335	\$ 1,444,493	\$ 2,974,525	\$ 688,874	\$ 3,563,725
Petty Cash	-	-	2,900	150	-	-
Deposits with Vendors	-	-	471	-	-	-
Due From Other Funds	-	-	800,000	59,854	-	-
Due From Other Government	-	-	453	490	-	-
Due to Vendors	2,039	-	(78,490)	(70)	-	-
Due to Fund	-	-	-	-	-	-
AR Unapplied (System)	-	-	-	-	-	-
AR Invoiced (System)	-	-	12,027	24,564	-	-
Due from Employee	-	-	-	387	-	-
NSF Items Suspense	-	-	-	29	-	-
Rec'd - Not Vouchered	-	-	-	-	-	-
TOTAL FUND BALANCES	\$ 2,039	\$ 179,335	\$ 2,181,854	\$ 3,059,929	\$ 688,874	\$ 3,563,725

(Continued)

NEBRASKA STATE PATROL
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Exhibit A

For the Period July 1, 2015, through June 30, 2016

	CLEIN Cash Fund 26470	Public Safety Communications Cash Fund 26485	State Patrol Federal Fund 46410	Capitol Security Revolving Fund 56400	Common School Fund 61270	Totals (Memorandum Only)
REVENUES:						
Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,538,906
Taxes	-	2,570,000	-	-	-	2,663,921
Intergovernmental	-	-	6,798,043	-	-	7,052,682
Sales & Charges	175,424	-	-	412,203	-	3,245,334
Miscellaneous	46	7,820	9,930	23,722	151,838	414,096
TOTAL REVENUES	175,470	2,577,820	6,807,973	435,925	151,838	71,914,939
EXPENDITURES:						
Personal Services	-	-	4,519,151	848,411	-	57,689,108
Operating	-	1,894,849	917,733	58,664	-	16,067,490
Travel	-	-	76,770	-	-	315,736
Capital Outlay	-	734,324	720,240	-	-	6,124,689
Government Aid	-	-	952,417	-	-	952,417
TOTAL EXPENDITURES	-	2,629,173	7,186,311	907,075	-	81,149,440
Excess (Deficiency) of Revenues Over (Under) Expenditures	175,470	(51,353)	(378,338)	(471,150)	151,838	(9,234,501)
OTHER FINANCING SOURCES (USES):						
Sales of Assets	-	-	-	-	-	372,762
Deposit to General Fund	-	-	-	-	-	(34,219)
Deposit to/from Common Fund	-	-	-	-	(151,838)	(151,838)
Operating Transfers In	-	-	-	642,437	-	8,809,734
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	642,437	(151,838)	8,996,439
Net Change in Fund Balances	175,470	(51,353)	(378,338)	171,287	-	(238,062)
FUND BALANCES, July 1, 2015	-	278,435	(216,737)	861,087	-	10,753,669
FUND BALANCES, June 30, 2016	\$ 175,470	\$ 227,082	\$ (595,075)	\$ 1,032,374	\$ -	\$ 10,515,607
FUND BALANCES CONSIST OF:						
General Cash	\$ 175,470	\$ 217,082	\$ 324,008	\$ 1,053,305	\$ -	\$ 10,620,817
Petty Cash	-	-	-	-	-	3,050
Deposits with Vendors	-	-	314	-	-	785
Due From Other Funds	-	-	-	-	-	859,854
Due From Other Government	-	-	-	-	-	943
Due to Vendors	-	-	(27,385)	(1,301)	-	(105,207)
Due to Fund	-	-	(910,000)	(20,000)	-	(930,000)
AR Unapplied (System)	-	-	-	-	-	-
AR Invoiced (System)	-	10,000	2,083	370	-	49,044
Due from Employee	-	-	-	-	-	387
NSF Items Suspense	-	-	-	-	-	29
Rec'd - Not Vouchered	-	-	15,905	-	-	15,905
TOTAL FUND BALANCES	\$ 175,470	\$ 227,082	\$ (595,075)	\$ 1,032,374	\$ -	\$ 10,515,607

(Concluded)

NEBRASKA STATE PATROL
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Exhibit B

For the Period July 1, 2016, through December 31, 2016

	General Fund 10000	Drug Control & Education Cash Fund 26410	Carrier Enforcement Cash Fund 26430	State Patrol Cash Fund 26440	Vehicle Replacement Cash Fund 26450	Public Safety Cash Fund 26460
REVENUES:						
Appropriations	\$ 30,385,097	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	-	71,962	-	(6)	-	-
Intergovernmental	431	4,261	-	16,194	-	248,461
Sales & Charges	-	43	-	1,344,531	-	-
Miscellaneous	2,795	1,508	24,707	28,038	4,545	36,038
TOTAL REVENUES	30,388,323	77,774	24,707	1,388,757	4,545	284,499
EXPENDITURES:						
Personal Services	23,882,972	-	3,164,727	769,298	-	-
Operating	5,743,627	-	387,976	574,405	-	381,583
Travel	80,497	-	10,821	9,230	-	36,912
Capital Outlay	678,001	99,933	95,042	1,060,585	410,745	97,673
Government Aid	-	-	-	-	-	-
TOTAL EXPENDITURES	30,385,097	99,933	3,658,566	2,413,518	410,745	516,168
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,226	(22,159)	(3,633,859)	(1,024,761)	(406,200)	(231,669)
OTHER FINANCING SOURCES (USES):						
Sales of Assets	11,579	-	-	-	157,182	-
Deposit to General Fund	(14,805)	-	-	-	-	-
Deposit to/from Common Fund	-	-	-	-	-	-
Operating Transfers In	-	-	4,032,388	242,990	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(3,226)	-	4,032,388	242,990	157,182	-
Net Change in Fund Balances	-	(22,159)	398,529	(781,771)	(249,018)	(231,669)
FUND BALANCES, July 1, 2016	2,039	179,335	2,181,854	3,059,929	688,874	3,563,725
FUND BALANCES, December 31, 2016	<u>\$ 2,039</u>	<u>\$ 157,176</u>	<u>\$ 2,580,383</u>	<u>\$ 2,278,158</u>	<u>\$ 439,856</u>	<u>\$ 3,332,056</u>
FUND BALANCES CONSIST OF:						
General Cash	\$ -	\$ 157,176	\$ 1,776,576	\$ 2,131,403	\$ 439,856	\$ 3,342,501
Petty Cash	-	-	2,900	150	-	-
Deposits with Vendors	-	-	471	-	-	-
Due From Other Funds	-	-	800,000	111,436	-	-
Due From Other Government	-	-	453	490	-	-
Due to Vendors	2,039	-	(787)	(100)	-	(10,445)
Due to Fund	-	-	-	-	-	-
AR Unapplied (System)	-	-	-	-	-	(7,295)
AR Invoiced (System)	-	-	770	34,034	-	7,295
NSF Items Suspense	-	-	-	358	-	-
Due from Employee	-	-	-	387	-	-
Rec'd - Not Vouchered	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 2,039</u>	<u>\$ 157,176</u>	<u>\$ 2,580,383</u>	<u>\$ 2,278,158</u>	<u>\$ 439,856</u>	<u>\$ 3,332,056</u>

(Continued)

NEBRASKA STATE PATROL
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Exhibit B

For the Period July 1, 2016, through December 31, 2016

	CLEIN Cash Fund 26470	Public Safety Communications Cash Fund 26485	State Patrol Federal Fund 46410	Capitol Security Revolving Fund 56400	Common School Fund 61270	Totals (Memorandum Only)
REVENUES:						
Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,385,097
Taxes	-	1,910,000	-	-	-	1,981,956
Intergovernmental	-	-	3,473,253	-	-	3,742,600
Sales & Charges	372,753	-	-	357,175	-	2,074,502
Miscellaneous	2,913	3,308	3,532	12,741	79,840	199,965
TOTAL REVENUES	<u>375,666</u>	<u>1,913,308</u>	<u>3,476,785</u>	<u>369,916</u>	<u>79,840</u>	<u>38,384,120</u>
EXPENDITURES:						
Personal Services	-	-	2,163,627	398,364	-	30,378,988
Operating	-	1,313,808	568,027	(1,125)	-	8,968,301
Travel	-	-	30,232	-	-	167,692
Capital Outlay	-	-	170,206	1,800	-	2,613,985
Government Aid	-	-	550,142	-	-	550,142
TOTAL EXPENDITURES	<u>-</u>	<u>1,313,808</u>	<u>3,482,234</u>	<u>399,039</u>	<u>-</u>	<u>42,679,108</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>375,666</u>	<u>599,500</u>	<u>(5,449)</u>	<u>(29,123)</u>	<u>79,840</u>	<u>(4,294,988)</u>
OTHER FINANCING SOURCES (USES):						
Sales of Assets	-	-	-	-	-	168,761
Deposit to General Fund	-	-	-	-	-	(14,805)
Deposit to/from Common Fund	-	-	-	-	(79,840)	(79,840)
Operating Transfers In	-	-	-	333,265	-	4,608,643
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>333,265</u>	<u>(79,840)</u>	<u>4,682,759</u>
Net Change in Fund Balances	375,666	599,500	(5,449)	304,142	-	387,771
FUND BALANCES, July 1, 2016	<u>175,470</u>	<u>227,082</u>	<u>(595,075)</u>	<u>1,032,374</u>	<u>-</u>	<u>10,515,607</u>
FUND BALANCES, December 31, 2016	<u>\$ 551,136</u>	<u>\$ 826,582</u>	<u>\$ (600,524)</u>	<u>\$ 1,336,516</u>	<u>\$ -</u>	<u>\$ 10,903,378</u>
FUND BALANCES CONSIST OF:						
General Cash	\$ 551,136	\$ 826,582	\$ 279,055	\$ 1,324,810	\$ -	\$ 10,829,095
Petty Cash	-	-	-	-	-	3,050
Deposits with Vendors	-	-	314	-	-	785
Due From Other Funds	-	-	-	-	-	911,436
Due From Other Government	-	-	-	-	-	943
Due to Vendors	-	-	(4,396)	-	-	(13,689)
Due to Fund	-	-	(910,000)	(20,000)	-	(930,000)
AR Unapplied (System)	-	-	-	-	-	(7,295)
AR Invoiced (System)	-	-	18,598	31,706	-	92,403
NSF Items Suspense	-	-	-	-	-	358
Due from Employee	-	-	-	-	-	387
Rec'd - Not Vouchered	-	-	15,905	-	-	15,905
TOTAL FUND BALANCES	<u>\$ 551,136</u>	<u>\$ 826,582</u>	<u>\$ (600,524)</u>	<u>\$ 1,336,516</u>	<u>\$ -</u>	<u>\$ 10,903,378</u>

(Concluded)