

**ATTESTATION REPORT
OF THE
NEBRASKA DEPARTMENT OF JUSTICE
OFFICE OF THE ATTORNEY GENERAL
JULY 1, 2017, THROUGH JUNE 30, 2018**

**This document is an official public record of the State of Nebraska, issued by
the Auditor of Public Accounts.**

**Modification of this document may change the accuracy of the original
document and may be prohibited by law.**

Issued on September 26, 2018

The Nebraska Auditor of Public Accounts Office was created by the first territorial Legislature in 1855. The Auditor was the general accountant and revenue officer of the territory. Those duties have expanded and evolved over the decades, as modern accounting theory has been implemented. The office of the Auditor of Public Accounts is one of six offices making up the executive branch of Nebraska State Government. Charlie Janssen was elected in November 2014, as the Nebraska Auditor of Public Accounts. He was sworn into office on January 8, 2015, as Nebraska's 25th State Auditor.

The mission of the Nebraska Auditor of Public Accounts' office is to provide independent, accurate, and timely audits, reviews, or investigations of the financial operations of Nebraska State and local governments.

We will provide this information, as required by statute, to all policymakers and taxpayers through written reports and our Internet-based Budget and Audit databases.

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

Audit Staff Working On This Examination

Kris Kucera, CPA, CFE – Audit Manager

Terence Heiser, CPA – Auditor II

Patrick Andriano – Auditor

Zachary Knaak – Auditor

Our reports can be found electronically at: <http://www.auditors.nebraska.gov>

Additionally, you may request them by contacting us at:

Nebraska Auditor of Public Accounts

State Capitol, Suite 2303

P.O. Box 98917

Lincoln, Nebraska 68509

Phone: 402-471-2111

NEBRASKA DEPARTMENT OF JUSTICE
OFFICE OF THE ATTORNEY GENERAL

TABLE OF CONTENTS

	<u>Page</u>
Background Information Section	
Background	1 - 2
Key Officials and Agency Contact Information	3
Comments Section	
Summary of Comments	4
Comments and Recommendations	5 - 10
Financial Section	
Independent Accountant's Report	11 - 12
Schedule of Revenues, Expenditures, and Changes in Fund Balances	13 - 14
Notes to the Schedule	15 - 19

NEBRASKA DEPARTMENT OF JUSTICE
OFFICE OF THE ATTORNEY GENERAL

BACKGROUND

The Nebraska Department of Justice – Office of the Attorney General (Attorney General) is in charge of and controls the legal business of all departments and bureaus of the State. As such, the Attorney General is Nebraska’s chief law enforcement officer. The Attorney General prosecutes or defends the State in all actions and proceedings, civil or criminal, relating to matters in which the State has an interested or a is party.

The Attorney General is organized into five main bureaus, each concentrating on a specific areas of law.

Agriculture, Environment, and Natural Resources Bureau

The Agriculture, Environment, and Natural Resources (AENR) Bureau of the Attorney General’s office supervises the litigation support and enforcement of State statutes and regulations for Nebraska State agencies and boards representing the interests of agriculture, the environment, and natural resources. These agencies include the Department of Natural Resources, the Department of Environmental Quality, the Department of Agriculture, the Game and Parks Commission, the Environmental Trust Board, and State commodity boards. The AENR Bureau also protects the State’s interests in the waters of interstate rivers with respect to interstate water allocations set by Compact or U.S. Supreme Court Decree.

Civil Litigation Bureau

The Civil Litigation Bureau defends all civil lawsuits filed against the State, its agencies, and State officials and employees. The Civil Litigation Bureau contains the Office of the Solicitor General, which manages the most significant civil and criminal appellate cases in both State and Federal courts. The Civil Litigation Bureau Chief serves as Nebraska’s Solicitor General. The Civil Litigation Bureau also provides oversight of assistant attorneys general assigned to the Department of Roads. The Civil Litigation Bureau’s duties also include advising the State Tort Claims Board on pending litigation, claims, settlements, and judgments.

Criminal Bureau

The Criminal Bureau’s responsibilities include investigative, prosecutorial, appellate, and post-conviction duties, as well as crime victim advocacy, sex offender commitment, and other functions related to criminal law. These responsibilities are split between three sections within the Bureau.

The Bureau’s Investigative Section is contacted regularly by a large number of Federal, State, and local law enforcement agencies to assist in a wide variety of investigations, particularly cases involving the abuse, assault, or death of children. The Prosecution Section handles cases including, but not limited to, homicide, sexual assault, drug trafficking, crimes against children, domestic violence, and official misconduct. The Prosecution Section also provides direct assistance to county attorneys throughout the State. The Appellate Section handles all direct criminal appeals filed with the Nebraska Supreme Court and Court of Appeals by criminal defendants, including all post-conviction appeals and Federal habeas matters for the State. The Bureau also provides significant expertise and training to law enforcement officers and county attorneys regarding best practices for criminal investigation, trial procedure, victim-witness advocacy, and human trafficking.

Consumer Protection Bureau

The Consumer Protection Division (Division) enforces State and Federal laws that safeguard against deceptive, fraudulent, and unfair business practices. The Division also has enforcement powers over antitrust and monopolistic activities and is responsible for oversight of charitable institutions and assets,

NEBRASKA DEPARTMENT OF JUSTICE
OFFICE OF THE ATTORNEY GENERAL

BACKGROUND
(Concluded)

including nonprofit corporations, charitable trusts, and endowment funds. Furthermore, the Division oversees and enforces compliance with civil and criminal statutes, regulations, and settlement terms governing the use, manufacture, and sale of tobacco/nicotine products within the State. In addition to enforcement powers, the Division provides educational outreach on topics that include identity theft, Internet safety, and general fraud, with the goal of teaching consumers how to protect themselves. The Division also offers a mediation service to help resolve differences constructively and settle disputes that Nebraska consumers may have with a business through the Consumer Protection Division Mediation Center.

Medicaid Fraud and Patient Abuse Unit

The Nebraska Medicaid Fraud and Patient Abuse Unit investigates and prosecutes Medicaid provider fraud and patient abuse and neglect.

NEBRASKA DEPARTMENT OF JUSTICE
OFFICE OF THE ATTORNEY GENERAL

KEY OFFICIALS AND AGENCY CONTACT INFORMATION

**Nebraska Department of Justice – Office of the Attorney General
Executive Management**

Name	Title
Doug Peterson	Attorney General
David Bydalek	Chief Deputy Attorney General
Dana Hoffman	Director of Operations

Nebraska Department of Justice
Office of the Attorney General
2115 State Capitol
P.O. Box 98920
Lincoln, NE 68509
ago.nebraska.gov

NEBRASKA DEPARTMENT OF JUSTICE
OFFICE OF THE ATTORNEY GENERAL

SUMMARY OF COMMENTS

During our examination of the Nebraska Department of Justice – Office of the Attorney General, we noted certain deficiencies and other operational matters that are presented here.

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

1. **Revenue Issues:** Lack of segregation of duties over the revenue process.
2. **Payroll Items:** Lack of segregation of duties over payroll processing. Employees did not document that they had worked no less than forty hours each week, as required by Neb. Rev. Stat. § 84-1001(1) (Reissue 2014). There was a lack of supporting documentation for payroll allocations, and some service dates were entered incorrectly.
3. **Capital Assets:** Lack of segregation of duties over capital assets, as a documented, independent review of capital asset reports was not completed. Furthermore, the annual inventory was inaccurate, and assets could not be located or were recorded incorrectly.
4. **Travel:** Expense reimbursements were not properly completed. Additionally, mileage was not reasonable, appropriately documented, or reviewed, and trip pre-approvals were not obtained.

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 Office of the Attorney General.

Draft copies of this report were furnished to the Office of the Attorney General to provide its management with an opportunity to review and to respond to the comments and recommendations contained herein. All formal responses received have been incorporated into this report. Where no response has been included, the Office of the Attorney General declined to respond. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next examination.

NEBRASKA DEPARTMENT OF JUSTICE
OFFICE OF THE ATTORNEY GENERAL

COMMENTS AND RECOMMENDATIONS

1. Revenue Issues

The Nebraska Department of Justice – Office of the Attorney General (Office) receives money for settlement agreements, grants, legal service agreements, recoveries, and title fees. We noted the following issues during the examination of receipts:

- Adequate segregation of duties was lacking over the revenue process. Only one person was responsible for opening the mail and preparing the initial listing of monies received. The person preparing the deposit document did not compare the initial listing of monies received to the deposit document.
- The Office has an approved petty cash account of \$300. One employee had the ability to make payments from the account and was responsible for reconciling the account. Total checks issued from the account during the fiscal year was \$676.
- Money due to the Department of Health and Human Services (DHHS), collected in the Office, was then hand-delivered to DHHS instead of deposited directly with the State Treasurer.
- A periodic review of receipts was not performed to ensure that all monies due were collected.
- The State Treasurer deposits \$0.20 of the \$10 fee for each original certificate of title issued pursuant to Neb. Rev. Stat. § 60-154 (Supp. 2017) into the Attorney General’s account. The Office did not review reports to ensure the appropriate amount was received. The total title fees received during the fiscal year was \$132,768.
- A receipt for \$35,000 from another State agency was inappropriately recorded to Sales and Charges instead of Intergovernmental receipts. The financial schedule was adjusted for this receipt.
- A receipt for \$223,578 was coded to the State Medicaid Fraud Control Unit Cash Fund; however, the Office did not have documentation to support that the money should have been deposited in that Fund.

Neb. Rev. Stat. § 68-940(3) (Reissue 2009) states, in relevant part, the following:

Amounts recovered under the False Medicaid Claims Act shall be remitted to the State Treasurer for credit to the Health and Human Services Cash Fund, except that (a) amounts recovered for the state’s costs and attorney’s fees pursuant to subdivision (2)(b) of this section and sections 68-936 and 68-939 shall be remitted to the State Treasurer for credit to the State Medicaid Fraud Control Unit Cash Fund

- An agreement with the Department of Banking and Finance (Banking) stated that Banking would reimburse the Office for 25% of a specific employee’s salary. On one receipt tested, Banking reimbursed the Office for 25% for a different employee’s salary.
- The Department of Administrative Services (DAS) was initially invoiced for \$78,833. The invoice was voided, and a subsequent invoice was prepared for \$70,398. The initial billing was for three individual employees’ salaries, but the invoice was subsequently revised to replace one individual with another. There was no documentation on file to support the change.

NEBRASKA DEPARTMENT OF JUSTICE
OFFICE OF THE ATTORNEY GENERAL

COMMENTS AND RECOMMENDATIONS
(Continued)

1. Revenue Issues (Concluded)

A good internal control plan requires procedures to ensure an adequate segregation of duties, so no one individual is in a position both to perpetrate and to conceal errors or irregularities. Those procedures should also permit only required personnel to have access to receipts/money. Procedures should ensure that all monies are received and deposited, and receipt transactions are adequately documented, coded correctly, and in accordance with the applicable agreements.

Without such procedures, there is an increased risk for not only the loss, misuse, or theft of State funds but also financial schedule misstatements.

We recommend the Office implement a proper segregation of duties for the handling of receipts and petty cash. Those procedures should ensure all monies are received and deposited, and receipt transactions are adequately documented, coded correctly, and in accordance with applicable agreements.

Attorney General Response: The initial listing of monies received will be reviewed weekly by the Director of Operations – a notation of the review will be made on the deposit document or receipt memo. Both Dana Hoffman and Tina Horan have the authority to process payments from petty cash as well as reconciling the account.

2. Payroll Items

During testing of the payroll process of the Nebraska Department of Justice – Office of the Attorney General (Office), as well as 10 employees' payroll, we noted the following:

- There was not a documented review of the final payroll register by an individual without payroll access. The State's accounting system does not have an established segregation of duties for payroll processing. Employees with access to process payroll are able to perform all procedures without a secondary individual being required to approve transactions.
- Hours worked could not be traced to adequate records, such as timesheets or time logs for five employees. The employees recorded only leave used and holidays on their timesheets but did not note actual hours worked or certify that they had worked or used leave totaling 40 hours a week, as required by Neb. Rev. Stat. § 84-1001(1) (Reissue 2014).

Section 84-1001(1) (Reissue 2014) provides the following:

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

NEBRASKA DEPARTMENT OF JUSTICE
OFFICE OF THE ATTORNEY GENERAL

COMMENTS AND RECOMMENDATIONS
(Continued)

2. **Payroll Items** (Concluded)

- Two employees had their payroll allocated 25% and 35% to the Nebraska Health Care Cash Fund; however, there was no documentation to support how these percentages were determined.
- For one of two employees tested, the adjusted service date was not correct in the State's payroll system, nor was the original hire date correct for the same employee.

Nebraska Administrative Code Title 273, Chapter 10, Section 006.01, states, in relevant part, the following:

The service date for rehired employees shall be adjusted by the number of calendar days absent if re-employed within 5 years.

A good internal control plan requires:

- An adequate segregation of duties to ensure that no one individual is in a position both to perpetrate and to conceal errors or irregularities. Someone without payroll access should perform a documented review of the final payroll register to ensure the payroll is proper.
- Adequate procedures to be in place to ensure that the allocation of payroll transactions in the accounting system is properly documented.
- Hours actually worked to be adequately documented – by, for example, timesheets, time logs, etc. – and such documentation to be kept on file to provide evidence of compliance with the requirements of § 84-1001(1).
- Dates of service to be correctly calculated and recorded properly; otherwise, there is an increased risk of an employee's leave not accruing at the correct amount.

Without such procedures, there is an increased risk of errors or misuse of funds.

We recommend the Office implement procedures for someone without payroll access to perform a documented review of payroll. Documentation of employees' actual time worked should be maintained, as well as for how employees' payroll is allocated. We recommend procedures be put in place to ensure service dates are correctly calculated and recorded.

Attorney General Response: A documented review of payroll will be done each month by Chief Deputy Attorney General, Dave Bydalek. The payroll register will be initialed and dated. All payroll allocation changes will be documented with a memo and approved by the Chief Deputy Attorney General, Dave Bydalek.

NEBRASKA DEPARTMENT OF JUSTICE
OFFICE OF THE ATTORNEY GENERAL

COMMENTS AND RECOMMENDATIONS
(Continued)

3. Capital Assets

As of June 30, 2018, the Nebraska Department of Justice – Office of the Attorney General (Office) had capital assets with a total purchase value of \$388,694; however, due to depreciation, the combined book value of those items was only \$48,422. We noted the following:

- 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 fixed asset listing as well as surplus and dispose of assets. The surplus notification forms were only signed by one individual.
- No documented review of capital asset reports by an independent person without capital asset access to ensure that the additions and retirements were appropriate and accurate.
- The annual fixed asset count was not properly completed, and there was no documentation as to who completed the count or that the count was reviewed. The listing submitted to the Department of Administrative Services (DAS) contained 217 items; however, the documentation of the fixed asset count performed by the Office listed only 107 items.
- Two of the five items tested could not be located. They were laptops with costs of \$1,807 and \$1,968.
- Two iPads, costing \$728 each, were not recorded on the fixed asset listing.
- Two of three assets tested did not have the correct acquisition date recorded in the accounting system.

A good internal control plan requires procedures to ensure an adequate segregation of duties, so no one individual is able both to perpetrate and to conceal errors or irregularities. This would include a documented secondary review of capital asset reports, including the annual fixed asset report, by someone without accounting system access to maintain capital assets. Capital assets should be tracked and recorded correctly.

Without such procedures, there is an increased risk of theft or misuse of State property.

We recommend the Office implement procedures to ensure an adequate segregation of duties, including a documented secondary review of capital asset reports. Such procedures should ensure that all capital assets are tracked and recorded correctly.

4. Travel

During testing of 10 travel expenditures for the Nebraska Department of Justice – Office of the Attorney General (Office), we noted the following:

- Five expense reimbursement forms were not completed properly and lacked approval for personal vehicle usage. Four did not include all destinations or the authorization for use of a personal vehicle, and two did not include the headquarter city.

NEBRASKA DEPARTMENT OF JUSTICE
OFFICE OF THE ATTORNEY GENERAL

COMMENTS AND RECOMMENDATIONS
(Continued)

4. Travel (Continued)

- Based on the most direct route of travel, the mileage reimbursements were not reasonable for two expenditures. The first reimbursement was for \$34 and claimed 64 miles roundtrip; however, the mileage per MapQuest was 46 miles, for a variance of 18 miles or 39%. According to an email, the variance was due to locating a suspect, but there was no documentation to support the locations traveled. The second reimbursement had multiple trips. The first trip claimed \$94 for 173 miles; however, the mileage per MapQuest was 134 miles, for a variance of 39 miles or 29%. The second and third trips claimed \$33 for 60 miles and \$21 for 38 miles, respectively; however, there were no destinations on the expense reimbursement document to allow for a determination that the mileage was reasonable.
- An employee was reimbursed \$27 for breakfast even though the meal was provided by the conference.
- A detailed receipt was not on file for a meal totaling \$18.
- Two expenditures did not have a travel pre-approval form on file before the date of the trip.
- Two expense reimbursements did not have documented approvals by another individual.

During testing of State vehicle usage, we noted that trip tickets for using a Transportation Services Bureau (TSB) vehicle did not contain the ending mileage, so the Office could not verify that the amount charged by TSB was correct. Two of six trips for the Office permanently assigned vehicles had mileage that did not appear reasonable based on the destinations listed. Both trips appear to have included roundtrip mileage; however, the roundtrip destinations were not identified. Mileage logs were not reviewed to ensure the mileage or destinations were reasonable.

Neb. Rev. Stat. § 81-1174 (Reissue 2014) states, in relevant part, the following:

When reimbursement is requested for mileage by automobile, air travel by commercial carrier, air travel in airplanes chartered by the department or agency, or air travel by personally rented airplane, the points between which such travel occurred, the times of arrival and departure, and the necessity and purpose of such travel shall be stated on such request. . . .

* * * *

The approval to attend a function, conference, or hearing shall be obtained from the director of the department, agency, commission, council, committee, or board prior to an individual's attendance at such function, conference, or hearing.

Neb. Rev. Stat. § 81-1014 (Reissue 2014) states, as is relevant, the following:

No agency shall allow mileage reimbursement charges on travel expense vouchers of state officers or employees unless there is filed with the expense voucher a statement signed by the director of the agency or his or her authorized representative declaring that the use of a privately owned vehicle was authorized according to the provisions of section 81-1176.

NEBRASKA DEPARTMENT OF JUSTICE
OFFICE OF THE ATTORNEY GENERAL

COMMENTS AND RECOMMENDATIONS
(Concluded)

4. **Travel** (Concluded)

Neb. Rev. Stat. § 81-1176(1) (Reissue 2014) provides, in relevant part, the following:

If a trip or trips included in a request for payment or reimbursement filed under sections 81-1174 and 81-1175 are made by personal automobile or otherwise, only one mileage request shall be allowed for each mile actually and necessarily traveled in each calendar month by the most direct route

According to the Nebraska State Accounting Manual, AM-005, Travel Expense Policies, Section 6, “Receipts are required unless the cost of the food/meal is under \$5.00.” In addition, the Nebraska State Accounting Manual, AM-005, Travel Policies, Section 8, states, in part, the following:

Detailed receipt is defined as a receipt that shows a listing of each item purchased and the related cost. Detailed receipt does not include the receipt copy that only identifies an amount is being charged to the employee’s credit card.

The Nebraska State Accounting Manual, AM-005, Travel Expense Policies, ERD Guidelines, provides the following:

- *Explanation should include:*
 - *The purpose for the expense*
 - *Where traveling from and traveling to*
 - *The reason if the most direct route is **not** used*
- *If attending an out-of-state conference, attach travel authorization*
- *Reimbursement for meals included with the cost of the conference fee may not be made unless the employee has documented a valid exception*
- *If Personal Vehicle Mileage, document needs to be signed by the appropriate person*

A good internal control plan includes procedures to ensure that expense reimbursements are properly completed and reviewed. Those procedures should ensure that mileage is accurate, being verified and reimbursed according to the most direct route of travel. Procedures should ensure that meals and other travel-related expenditures are properly supported, allowable, pre-approved, and compliant with both State statute and administrative policies.

Without these procedures, there is an increased risk for not only the loss of State funds but also noncompliance with State statute and administrative policies.

We recommend the Office implement procedures to ensure: 1) expense reimbursements are properly completed and reviewed; 2) mileage is accurate, being verified and reimbursed according to the most direct route of travel; and 3) meals and other travel-related expenditures are properly supported, allowable, pre-approved, and compliant with both State statute and administrative policies.



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

NEBRASKA DEPARTMENT OF JUSTICE
OFFICE OF THE ATTORNEY GENERAL

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Department of Justice
Office of the Attorney General
Lincoln, Nebraska

We have examined the accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balances of the Nebraska Department of Justice – Office of the Attorney General (Attorney General) for the fiscal year ended June 30, 2018. The Attorney General'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 fiscal year ended June 30, 2018, is based on the accounting system and procedures prescribed by the State of Nebraska's 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 all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Schedule of Revenues, Expenditures, and Changes in Fund Balances; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, 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 and report the views of management concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. 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 no findings that are required to be reported under *Government Auditing Standards*.

The purpose of this report is to express an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances, as described in paragraph one above. Accordingly, this report is not suitable for any other purpose. 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.

September 14, 2018

Charlie Janssen
Auditor of Public Accounts
Lincoln, Nebraska

NEBRASKA DEPARTMENT OF JUSTICE
OFFICE OF THE ATTORNEY GENERAL
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2018

	State General Fund 10000	Motor Vehicle Fraud Cash Fund 21110	State Settlement Cash Fund 21160	Medicaid Fraud Control Unit Cash Fund 21170	State DNA Sample and Data Base Cash Fund 21175	Nebraska Health Care Fund 22640	Federal Letter of Credit Fund 40000	Justice Federal Fund 41110	Violence Against Women Fund 41120
REVENUES:									
Appropriations	\$ 6,047,515	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	870,064	-	45,515
Sales & Charges	-	132,768	1,664,840	252,222	-	-	-	-	-
Miscellaneous	40,701	3,669	141,549	29,740	3,516	-	-	-	-
TOTAL REVENUES	6,088,216	136,437	1,806,389	281,962	3,516	-	870,064	-	45,515
EXPENDITURES:									
Personal Services	4,899,756	125,715	939,719	257,412	-	512,271	713,971	-	45,290
Operating	996,431	-	229,471	27,876	-	3,670	92,218	-	-
Travel	120,536	-	34,646	7,818	-	3,472	24,790	-	-
Capital Outlay	30,792	-	4,039	1,328	-	-	-	-	-
Government Aid	-	-	-	-	-	-	39,085	-	-
TOTAL EXPENDITURES	6,047,515	125,715	1,207,875	294,434	-	519,413	870,064	-	45,290
Excess (Deficiency) of Revenues Over (Under) Expenditures	40,701	10,722	598,514	(12,472)	3,516	(519,413)	-	-	225
OTHER FINANCING SOURCES (USES):									
Sales of Assets	2,385	-	-	-	-	-	-	-	-
Deposit to General Fund	(42,586)	-	-	-	-	-	-	-	-
Deposit to Common Fund	-	-	-	-	(3,516)	(76,394)	-	-	-
Operating Transfers In	-	-	-	-	-	595,807	-	-	-
Operating Transfers Out	-	-	(1,001,998)	(500,000)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(40,201)	-	(1,001,998)	(500,000)	(3,516)	519,413	-	-	-
Net Change in Fund Balances	500	10,722	(403,484)	(512,472)	-	-	-	-	225
FUND BALANCES, JULY 1, 2017	2,898	169,514	7,051,621	1,852,331	-	-	-	(2,615)	11,512
FUND BALANCES, JUNE 30, 2018	\$ 3,398	\$ 180,236	\$ 6,648,137	\$ 1,339,859	\$ -	\$ -	\$ -	\$ (2,615)	\$ 11,737
FUND BALANCES CONSIST OF:									
General Cash	\$ -	\$ 177,270	\$ 6,648,137	\$ 1,352,707	\$ -	\$ -	\$ -	\$ -	\$ -
Petty Cash	300	-	-	-	-	-	-	-	-
NSF Items	762	-	-	-	-	-	-	-	-
Deposits with Vendors	1,286	19	-	-	-	-	-	-	-
Accounts Receivable Invoiced	-	-	-	-	-	-	-	-	11,737
Due From Other Funds	-	2,947	-	-	-	-	-	-	-
Due From Other Government	1,050	-	-	-	-	-	-	332	-
Due to Fund	-	-	-	(12,848)	-	-	-	(2,947)	-
TOTAL FUND BALANCES	\$ 3,398	\$ 180,236	\$ 6,648,137	\$ 1,339,859	\$ -	\$ -	\$ -	\$ (2,615)	\$ 11,737

The accompanying notes are an integral part of the schedule.

NEBRASKA DEPARTMENT OF JUSTICE
OFFICE OF THE ATTORNEY GENERAL
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2018

	One Call Federal Grant Fund 41130	DMV Highway Safety Grant Fund 41160	VOCA Grant Fund 41175	Justice Revolving Fund 51110	State Settlement Trust Fund 61120	Multi-State Trust Fund 61180	Common School Fund 61270	Totals (Memorandum Only)
REVENUES:								
Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,047,515
Intergovernmental	35,000	90,300	71,769	-	-	-	-	1,112,648
Sales & Charges	-	-	-	1,211,434	(3,000)	-	-	3,258,264
Miscellaneous	-	-	-	4,707	(610)	94	717	224,083
TOTAL REVENUES	35,000	90,300	71,769	1,216,141	(3,610)	94	717	10,642,510
EXPENDITURES:								
Personal Services	35,034	86,326	80,726	1,278,233	-	-	-	8,974,453
Operating	-	350	-	-	6,030	-	-	1,356,046
Travel	-	4,106	-	-	-	-	-	195,368
Capital Outlay	-	-	-	-	-	-	-	36,159
Government Aid	-	-	-	-	-	-	-	39,085
TOTAL EXPENDITURES	35,034	90,782	80,726	1,278,233	6,030	-	-	10,601,111
Excess (Deficiency) of Revenues Over (Under) Expenditures	(34)	(482)	(8,957)	(62,092)	(9,640)	94	717	41,399
OTHER FINANCING SOURCES (USES):								
Sales of Assets	-	-	-	-	-	-	-	2,385
Deposit to General Fund	-	-	-	-	-	-	-	(42,586)
Deposit to Common Fund	-	-	-	-	-	-	(717)	(80,627)
Operating Transfers In	-	-	-	-	-	-	-	595,807
Operating Transfers Out	-	-	-	-	-	-	-	(1,501,998)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	(717)	(1,027,019)
Net Change in Fund Balances	(34)	(482)	(8,957)	(62,092)	(9,640)	94	-	(985,620)
FUND BALANCES, JULY 1, 2017	441	2,819	10,570	237,461	272,097	4,401	-	9,613,050
FUND BALANCES, JUNE 30, 2018	\$ 407	\$ 2,337	\$ 1,613	\$ 175,369	\$ 262,457	\$ 4,495	\$ -	\$ 8,627,430
FUND BALANCES CONSIST OF:								
General Cash	\$ 407	\$ 2,337	\$ -	\$ 128,437	\$ 262,457	\$ 4,495	\$ -	\$ 8,576,247
Petty Cash	-	-	-	-	-	-	-	300
NSF Items	-	-	-	-	-	-	-	762
Deposits with Vendors	-	-	-	-	-	-	-	1,305
Accounts Receivable Invoiced	-	-	1,613	46,932	-	-	-	60,282
Due From Other Funds	-	-	-	-	-	-	-	2,947
Due From Other Government	-	-	-	-	-	-	-	1,382
Due to Fund	-	-	-	-	-	-	-	(15,795)
TOTAL FUND BALANCES	\$ 407	\$ 2,337	\$ 1,613	\$ 175,369	\$ 262,457	\$ 4,495	\$ -	\$ 8,627,430

(Concluded)

The accompanying notes are an integral part of the schedule.

NEBRASKA DEPARTMENT OF JUSTICE
OFFICE OF THE ATTORNEY GENERAL

NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2018

1. Criteria

The accounting policies of the Nebraska Department of Justice – Office of the Attorney General (Attorney General) are on the basis of accounting, as prescribed by the State of Nebraska’s Director 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 keeping of general accounts and the adoption and promulgation of appropriate rules, regulations, and administrative orders designed to assure a uniform and effective system of accounts and accounting, the approval of all vouchers, and the preparation and issuance of warrants for all purposes[.]

In accordance with Neb. Rev. Stat. § 81-1111(1) (Reissue 2014), the State Accounting Administrator has prescribed the system of accounts and accounting to be maintained by the State and its departments and agencies and has developed necessary accounting policies and procedures. The prescribed accounting system currently utilizes EnterpriseOne, an accounting resource software, to maintain the general ledger and all detailed accounting records. Policies and procedures are detailed in the Nebraska State Accounting Manual published by DAS State Accounting Division (State Accounting) and are available to the public.

The financial information used to prepare the Schedule of Revenues, Expenditures, and Changes in Fund Balances was obtained directly from the general ledger and fund balance information maintained on EnterpriseOne. EnterpriseOne is not an accrual accounting system; instead, accounts are maintained on a modified cash basis. As revenue transactions occur, the agencies record the accounts receivable and related revenues in the general ledger. As such, certain revenues are recorded when earned, regardless of the timing of related cash flows. State Accounting does not require the Attorney General to record all accounts receivable and related revenues in EnterpriseOne; as such, the Attorney General’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, 2018, and not yet paid as of that date. The amount recorded as expenditures on the schedule, as of June 30, 2018, **does not** include amounts for goods and services received before June 30, 2018, which had not been posted to the general ledger as of June 30, 2018.

Other liabilities are recorded in an account entitled Due to Fund for the Attorney General. The assets in these funds are being held by the State as an agent and will be used to pay those liabilities to individuals, private organizations, other governments, and/or other funds. The recording of those liabilities reduces the fund balance/equity. Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

The following fund types are established by the State and used by the Attorney General:

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

NEBRASKA DEPARTMENT OF JUSTICE
OFFICE OF THE ATTORNEY GENERAL

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 Funds – account for the financial activities related to the receipt and disbursement of funds generated from the Federal government as a result of grants and contracts. Expenditures must be made in accordance with applicable Federal requirements.

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

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

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

Appropriations – Appropriations are granted by the Legislature to make expenditures and to incur obligations. The amount of appropriations reported as revenue is the amount of expenditures.

Intergovernmental – Revenue from other governments in the form of grants, entitlements, shared revenues, payments in lieu of taxes, or reimbursements.

Sales & Charges – Income derived from compensation for services rendered, title fees and court-ordered settlements.

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

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

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

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.

NEBRASKA DEPARTMENT OF JUSTICE
OFFICE OF THE ATTORNEY GENERAL

NOTES TO THE SCHEDULE
(Continued)

1. Criteria (Concluded)

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 Attorney General include:

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 Attorney General’s funds at June 30, 2018, included amounts recorded in Due to Fund. The activity of these accounts are not recorded through revenue and expenditure accounts on the Schedule of Revenues, Expenditures, and Changes in Fund Balances.

Other Financing Sources – Deposits to the General Fund, Deposits to a Common Fund, operating transfers, and proceeds of fixed asset dispositions.

2. Reporting Entity

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

The Attorney General 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 DEPARTMENT OF JUSTICE
OFFICE OF THE ATTORNEY GENERAL

NOTES TO THE SCHEDULE
(Continued)

5. Capital Assets

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

However, State Accounting does adjust such expenditures and reports the capital assets as assets for the State of Nebraska in the Comprehensive Annual Financial Report (CAFR). In addition, the Attorney General 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, and all computers.

For the CAFR, the State requires the Attorney General to value all capital assets at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Generally, equipment that has a cost of \$5,000 or more at the date of acquisition and has an expected useful life of more than one year is capitalized. Depreciation expenses are reported in the CAFR in the funds used to acquire or construct them for the State of Nebraska. The cost of normal maintenance and repairs that does not add to the value of the asset or extend the asset's life is not capitalized.

Equipment is depreciated in the CAFR using the straight-line method with estimated useful lives of 3 to 10 years.

Capital asset activity of the Attorney General recorded in the State Accounting System for the fiscal year ended June 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets				
Equipment	\$ 393,694	\$ 36,159	\$ 41,159	\$ 388,694
Less accumulated depreciation for:				
Equipment				\$ 340,272
Total capital assets, net of depreciation				\$ 48,422

6. Transfers

LB 945 § 14 (2018) required \$876,988 to be transferred from the State Settlement Cash Fund to the General Fund. This same LB required \$125,000 to be transferred from the State Settlement Cash Fund to the Legal Education for Public Service and Rural Practice Loan Repayment Assistance Fund.

LB 331 § 35 (2017) required \$500,000 to be transferred from the State Medicaid Fraud Control Unit Cash Fund to the General Fund.

NEBRASKA DEPARTMENT OF JUSTICE
OFFICE OF THE ATTORNEY GENERAL

NOTES TO THE SCHEDULE
(Concluded)

6. Transfers (Concluded)

The Nebraska Health Care Fund 22640 is a common fund with the Department of Health and Human Services (DHHS). LB 327 § 37 (2017) included an appropriation of \$595,807 to be administratively transferred from DHHS to the Attorney General's Public Protection Bureau to fund the costs of enforcement of the Tobacco Master Settlement Agreement for the Attorney General.