

**ATTESTATION REPORT
OF THE
NEBRASKA MOTOR VEHICLE INDUSTRY
LICENSING BOARD**

JULY 1, 2009 THROUGH JUNE 30, 2010

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Issued on March 31, 2011

NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

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NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

BACKGROUND

The Nebraska Motor Vehicle Industry Licensing Board (Board) is a self-supporting Board created during the 1957 legislative session. Members of the Board include the Director of the Department of Motor Vehicles, who serves as chairperson, and nine members appointed by the Governor, with the consent of Legislature. The nine members, who serve three-year terms, include three new motor vehicle dealers, one from each congressional district; two licensed used motor vehicle dealers, from different congressional districts; one trailer dealer or combination motor vehicle or trailer dealer; a factory representative; a licensed motorcycle dealer; and a member representing the public.

The Board has the responsibility of protecting the public interest in connection with the activities of the manufacture, distribution, and sale of motor automobiles, motorcycles, trailers, and mobile homes. The Board exercises its responsibilities through the issuance, denial, suspension, or revocation of the following licenses: motor vehicle dealers – new and used, salespersons, manufacturers, factory branches, factory representatives, distributors, distributor representatives, trailer dealers, mobile home dealers, combination motor vehicle and trailer dealers, motorcycle dealers, motor vehicle auction dealers, wreckers and salvage dealers, and supplemental motor vehicle, motorcycle, trailer, and mobile home dealers. The Board also controls the distribution of dealer license plates by means of a statutory formula.

The Board meets when necessary to approve and deny license applications and to take actions on complaints. The Board also conducts hearings for new motor vehicle franchise applications, for the termination of any franchise, and for advertising violations. These powers were granted to the Board in order to prevent fraud and other abuses upon the citizens of the State.

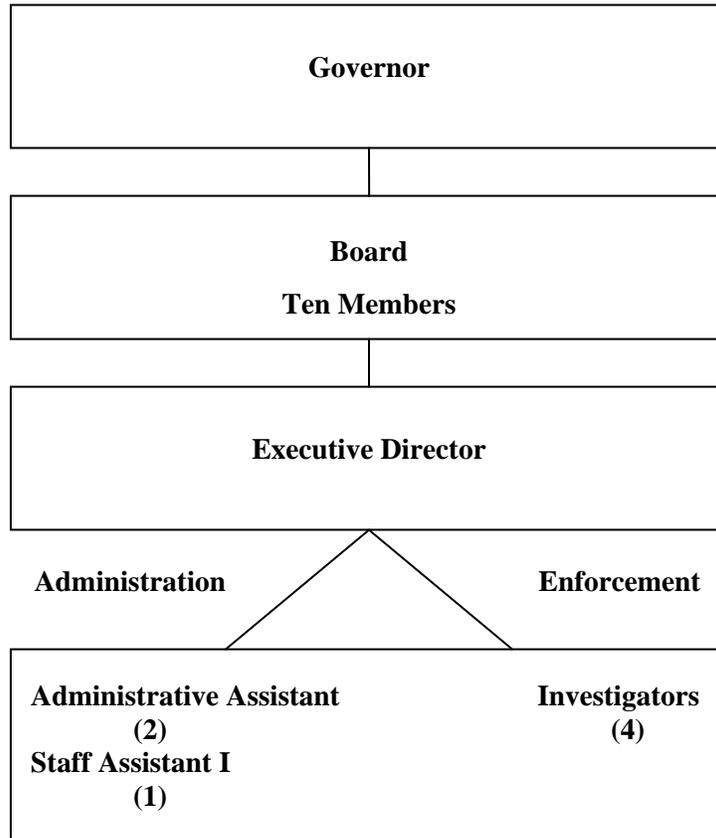
At June 30, 2010, the office and field staff consisted of an Executive Director, two Administrative Assistants, a Staff Assistant, and four Field Investigators who investigate complaints and inspect dealerships for compliance with the law.

MISSION STATEMENT

The mission of the Motor Vehicle Industry Licensing Board is the regulation, investigation, and education on matters involving the selling of motor vehicles, trailers and motorcycles in the State of Nebraska. Protection of the general public interest is the main priority. The Board's vision is to have a well informed network of motor vehicle/trailer/motorcycle dealers throughout the State of Nebraska.

NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

ORGANIZATIONAL CHART



NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

EXIT CONFERENCE

An exit conference was held March 29, 2011, with the Board to discuss the results of our examination. Those in attendance for the Nebraska Motor Vehicle Industry Licensing Board were:

NAME	TITLE
William S. Jackson	Director
Joan M. Zachek	Administrative Assistant

NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

SUMMARY OF COMMENTS

During our examination of the Nebraska Motor Vehicle Industry Licensing Board (Board), we noted certain matters involving the internal control over financial reporting and other operational matters that are presented here.

1. ***Internal Control Over Receipts:*** The Board did not have adequate controls in place to ensure monies received for licenses and permits were properly recorded and deposited. During fiscal year 2010, the Board deposited \$718,968 in license and permit revenues. Furthermore, a reconciliation of licenses issued in the Board's system did not agree to the calculated number of licenses issued. We noted a variance of five licenses that could not be explained.
2. ***Remittance and Distribution of Fines Collected:*** Advertising fines totaling \$6,000 were remitted to the Permanent School Fund in error. The fines should have been remitted to the Common School Fund. For those fines remitted to the Common School Fund, the fines were distributed to the County where the entity was located in error. The fines should have been distributed to Lancaster County, which was where the fines were levied or imposed.
3. ***Legal Counsel Contract:*** The Board contracted with a law firm to provide legal services during the fiscal year. The Board paid the firm \$24,000; however, the Board did not receive detailed billings or supporting documentation to substantiate the charges. Furthermore, the Board did not have documentation to support the firm selected; the contract did not contain a termination clause; the contract was not reviewed by independent legal counsel; and the contract was not entered into the State's accounting system.

More detailed information on the above items is provided hereafter. It should be noted this report is critical in nature, as it contains only our comments and recommendations on the areas noted for improvement.

Draft copies of this report were furnished to the Board to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. The Board declined to respond.

We appreciate the cooperation and courtesy extended to our staff during the course of the examination.

NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

COMMENTS AND RECOMMENDATIONS

1. Internal Control Over Receipts

A good internal control plan requires that an adequate segregation of duties or compensating controls be in place to ensure no one individual is able to perpetrate and/or conceal errors and/or irregularities. A good internal control plan also requires procedures to ensure the number of licenses issued agrees to licenses recorded in the Board records.

During our review of the Board's procedures to ensure all monies received are properly accounted for and deposited, we noted several areas of concern. This finding has been reported to the Board since fiscal year 2005.

- Mail containing cash receipts was not adequately controlled, as only one individual opened the mail for the Board, and an initial listing of monies received was not documented.
- After the mail was opened, the license and permit applications were not separated from the monies received. The individuals who processed the applications were also able to generate the deposit.
- The licensing system used by the Board allowed users to change the license control number. Licenses could also be issued through the system with no corresponding amount posted. This increased the risk an individual could issue a license but not deposit the monies received.
- A reconciliation report was generated through the system that listed the license numbers issued and the corresponding amounts remitted. The individual who reviewed the report did not always ensure the next sequential license number was issued. Furthermore, licenses issued with no corresponding amount and voided licenses were not recorded on this report.
- At the end of the fiscal year, the Board did not perform a reconciliation of actual licenses issued to the licenses issued as recorded on the Board's system. The calculated number of licenses issued during fiscal year 2010 was 10,286; however, according to the Board's system, 10,108 licenses were issued. After accounting for voids and licenses not received from the supplier, the variance was reduced to 5 licenses. Furthermore, because the system did not report voided licenses or licenses issued with no corresponding amount received, it is unknown if the variance was greater than that noted above.
- Additionally, we noted there was a lack of controls over special permits issued by the Board. Special permits were issued to dealers who wanted to display, demonstrate, and/or sell vehicles, trailers, or motorcycles at Board-approved community events. The special permits were not recorded on the Board's computer system; instead, an excel spreadsheet was used to account for the special permits issued. The special permits were not printed on stock with pre-printed control numbers. Therefore, an individual could issue a special permit using a duplicate number and not deposit the monies received. There was \$7,450 deposited for special permits during fiscal year 2010.

As one individual was able to handle the monies received and process the licenses and permits without compensating controls, there was an increased risk monies could be misappropriated, and the misappropriation would remain undetected.

COMMENTS AND RECOMMENDATIONS

(Continued)

1. Internal Control Over Receipts (Concluded)

We recommend the Board implement procedures to ensure monies received are properly deposited, as follows:

- We recommend two individuals open the mail and run a calculator tape and compare the tape total to the deposit document when completed to ensure proper control over cash receipts. This procedure should be documented as completed, and monies received should be held separate from the individual(s) who process the licenses and permits.
- We recommend the licensing system restrict user ability to adjust control numbers in the system.
- We further recommend the Board implement procedures to have an individual(s) independent from those who issue licenses reconcile the licenses issued to licenses recorded. The individual(s) involved in the reconciliation should document their review, and all supporting records should be retained.
- Finally, we recommend the Board improve controls over special permits, such as using pre-numbered permits and performing a reconciliation of special permits issued to special permits recorded, to ensure no one individual is able to perform all aspects of issuing a special permit.

2. Remittance and Distribution of Fines Collected

Neb. Rev. Stat. § 60-1415(2) (Reissue 2010) states, in part: “The board shall remit administrative fines to the State Treasurer on a monthly basis for distribution in accordance with Article VII, section 5, of the Constitution of Nebraska.” Prior to being amended by LB 816 (2010), which became effective on March 4, 2010, this statute had directed the Board to remit fines to the State Treasurer for credit to the Permanent School Fund.

Article VII, § 5, of the Nebraska Constitution requires that, aside from certain exceptions which are not applicable to the present discussion, “all fines, penalties, and license money arising under the general laws of the state . . . shall belong and be paid over to the counties respectively where the same may be levied or imposed . . .” Under that same constitutional provision, such funds “shall be appropriated exclusively to the use and support of the common schools in the respective subdivisions where the same may accrue . . .”

In Op. Att’y Gen. No. 03011 (May 7, 2003), the Attorney General responded to questions regarding the disposition of fines and penalties levied under the Nebraska Campaign Finance Limitation Act. Noting that the Nebraska Political Accountability and Disclosure Commission

NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Remittance and Distribution of Fines Collected (Concluded)

“sits in Lancaster County and imposes fines and penalties there,” the Attorney General opined that “all such fines and penalties imposed [by the Commission] should be remitted to Lancaster County in some fashion as per the requirements of art. VII, § 5.” While this Attorney General’s opinion is specific to the Nebraska Political Accountability and Disclosure Commission, the Nebraska Motor Vehicle Industry Licensing Board also sits in Lancaster County and imposes fines and penalties there.

One of six advertising fines collected in fiscal year ending June 30, 2010, was remitted to an incorrect fund. Being unaware that § 60-1415(2) had changed as of March 4, 2010, the Board had continued to remit fines collected after that date to the Permanent School Fund (63340). The error was brought to the Board’s attention by the State Treasurer’s office in July 2010. In addition to the one incorrect transfer noted above, there were two other remittances of fines to the Permanent School Fund in error. The specific advertising fines remitted to the Permanent School Fund in error were collected on April 20, 2010, July 1, 2010, and July 2, 2010, for \$2,000 each. All three of these fines should have been remitted to the Common School Fund (61270).

The Board has been designating the County in which an entity paying a fine is located – rather than the County in which the Board sits and, therefore, imposes such fine – as the appropriate County to which to direct funds subject to Article VII, § 5. However, based upon the Attorney General’s conclusion in Op. Att’y Gen. No. 03011 (May 7, 2003), it appears that all fines imposed by the Board should be distributed to Lancaster County, as that is where the Board’s office is located, its meetings are held, and all decisions to impose fines are made.

In order to comply with State statute and the Nebraska Constitution, fine monies must be remitted and distributed to the appropriate political subdivision.

We recommend the Board ensure fines are remitted to the Common School Fund, as required by State statute. For those fines incorrectly remitted to the Permanent School Fund, we recommend the Board work with State Accounting and the Board of Educational Lands and Funds to correct the error and move the fines incorrectly remitted to the Permanent School Fund to the Common School Fund as required by State statute. For fines remitted to the Common School Fund, we recommend the Board work with the State Treasurer and the Attorney General to insure the fines are correctly distributed to the County where the fines were levied or imposed.

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Legal Counsel Contract

Neb. Rev. Stat. § 73-505 (Reissue 2009) provides: “State agency directors shall be responsible for maintaining accurate documentation of the process used for selection of all contracts for services...Such documentation shall be kept with each contract for services.”

Neb. Rev. Stat. § 73-503(1) (Reissue 2009) states, in part: “All state agencies shall process and document all contracts for services through the state accounting system.”

A good internal control plan and good business practice requires a contract to contain a termination clause and be reviewed by independent legal counsel to ensure the terms of the contract are in accordance with all applicable State statutes and rules and regulations. Furthermore, a good internal control plan and sound accounting practice require documentation to support charges incurred and paid by the Board.

During testing of the Board’s contract with outside legal counsel, we noted the following:

- The Board was charged \$2,000 each month for ten to twelve hours of legal services to be provided as outlined in the contract. However, the Board did not receive detailed billings or supporting documentation for the time spent during the month to substantiate the billings. The Board paid the law firm \$24,000 during fiscal year 2010.
- There was no documentation on file to support the basis for the selection of the law firm.
- The contract was not reviewed by independent legal counsel.
- The contract was not entered into the State’s accounting system, as required by State statute.
- The contract did not contain a termination clause.

Without adequate policies and procedures to ensure contracted services are reasonable and proper, there is an increased risk for misuse of State funds. This finding was also noted during fiscal year 2008 and 2009 examinations.

We recommend the Board ensure documentation is obtained and maintained to support billings. Documentation should be maintained to support the basis for selection of contractors, and all contracts should be reviewed by independent legal counsel. All service contracts should be properly recorded in the State’s accounting system and contain a termination clause.



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NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Motor Vehicle Industry Licensing Board
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Motor Vehicle Industry Licensing Board (Board) for the fiscal year ended June 30, 2010. The Board's management is responsible for the schedule of revenues, expenditures, and changes in fund balances. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and accordingly, included examining, on a test basis, evidence supporting the schedule of revenues, expenditures, and changes in fund balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedule referred to above presents, in all material respects, the revenues, expenditures, and changes in fund balances of the Nebraska Motor Vehicle Industry Licensing Board for the fiscal year ended June 30, 2010, based on the accounting system and procedures prescribed by the State of Nebraska Director of Administrative Services as described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2011, on our consideration of the Nebraska Motor Vehicle Industry Licensing Board's internal control over financial reporting (internal control) and our tests of its compliance with certain provisions of laws, regulations, and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the internal control or on compliance. That report is an integral part of an attestation engagement performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our examination.

This report is intended solely for the information and use of management, the Nebraska Motor Vehicle Industry Licensing Board, others within the Board, and the appropriate Federal and regulatory agencies. However, this report is a matter of public record, and its distribution is not limited.

Signed Original on File

March 17, 2011

Timothy J. Channer, CPA
Assistant Deputy Auditor

NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2010

	Motor Vehicle Industry Licensing Board Fund 24010	Permanent School Fund 63340	Totals (Memorandum Only)
REVENUES:			
Sales & Charges	\$ 718,968	\$ -	\$ 718,968
Miscellaneous	10,578	16,000	26,578
TOTAL REVENUES	729,546	16,000	745,546
EXPENDITURES:			
Personal Services	536,757	-	536,757
Operating	73,865	-	73,865
Travel	39,360	-	39,360
TOTAL EXPENDITURES	649,982	-	649,982
 Excess of Revenues Over Expenditures	 79,564	 16,000	 95,564
OTHER FINANCING SOURCES (USES):			
Sales of Assets	2	-	2
Deposit to/from Common Fund	-	(16,000)	(16,000)
Operating Transfers Out	(17,477)	-	(17,477)
TOTAL OTHER FINANCING SOURCES (USES)	(17,475)	(16,000)	(33,475)
 Net Change in Fund Balances	 62,089	 -	 62,089
 FUND BALANCES, JULY 1, 2009	 261,194	 -	 261,194
 FUND BALANCES, JUNE 30, 2010	 \$ 323,283	 \$ -	 \$ 323,283
FUND BALANCES CONSIST OF:			
General Cash	\$ 322,541	\$ -	\$ 322,541
Deposits with Vendors	742	-	742
TOTAL FUND BALANCES	\$ 323,283	\$ -	\$ 323,283

The accompanying notes are an integral part of the schedule.

NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2010

1. Criteria

The accounting policies of the Nebraska Motor Vehicle Industry Licensing Board (Board) are on the basis of accounting, as prescribed by the State of Nebraska Department of Administrative Services (DAS).

Per Neb. Rev. Stat. § 81-1107(2) (Reissue 2008), the duties of the State of Nebraska Director of Administrative Services include: “The keeping of general accounts and the adoption and promulgation of appropriate rules, regulations, and administrative orders designed to assure a uniform and effective system of accounts and accounting, the approval of all vouchers, and the preparation and issuance of warrants for all purposes.”

In accordance with Neb. Rev. Stat. § 81-1111(1) (Reissue 2008), 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 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. As transactions occur, the agencies record the accounts receivables and accounts payable in the general ledger. As such, certain revenues are recorded when earned, and expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows. The expenditures and related accounts payables recorded in the general ledger, as of June 30, 2010, include only those payables posted in the general ledger before June 30, 2010, and not yet paid as of that date. The amount recorded as expenditures, as of June 30, 2010, **does not** include amounts for goods and services received before June 30, 2010, which had not been posted to the general ledger as of June 30, 2010.

The Board had no accounts receivable at June 30, 2010. Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

The fund types established by the State that are used by the Board are:

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.

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.

NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

NOTES TO THE SCHEDULE

(Continued)

1. Criteria (Concluded)

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

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

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

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

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

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.

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

Assets – Resources owned or held by a government that have monetary value. Assets include cash accounts and deposits with vendors, Cash accounts and deposits with vendors are also included in the fund balance and are reported, as recorded in the general ledger.

Liabilities – Legal obligations arising out of transactions in the past that must be liquidated, renewed, or refunded at some future date. Accounts payable transactions are recorded as expenditures resulting in a decrease to fund balance.

Other Financing Sources – Deposits to/from common funds.

2. Reporting Entity

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

The Nebraska Motor Vehicle Industry Licensing Board is part of the primary government for the State of Nebraska.

NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

NOTES TO THE SCHEDULE

(Continued)

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.

5. Capital Assets

Capital assets are comprised of equipment. Under State Accounting policies, expenditures for such capital assets are not capitalized as an asset in the funds used to acquire 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 Board takes an annual inventory and accounts, in the State Accounting System, for all equipment that has a cost of \$1,500 or more at the date of acquisition.

For the CAFR, the State requires the Board 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 two or more years is capitalized. Depreciation expenses are reported in the CAFR in the funds used to acquire the capital assets for the State of Nebraska. The cost of normal maintenance and repairs that does not add to the value of the asset or extend the asset's life is not capitalized.

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

NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

NOTES TO THE SCHEDULE
(Continued)

5. Capital Assets (Concluded)

Capital asset activity of the Board recorded in the State Accounting System for the fiscal year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets				
Equipment	\$ 4,315	\$ -	\$ -	\$ 4,315
Less accumulated depreciation for:				
Equipment				3,482
Total capital assets, net of depreciation				<u>\$ 833</u>

6. Deposits to/from Common Funds

Neb. Rev. Stat. § 60-1415(2) (Reissue 2010) requires administrative fines assessed on violations to be distributed in accordance with Article VII, § 5, of the Nebraska Constitution. This is accomplished by depositing administrative fines to the Common School Fund (61270). Prior to March 4, 2010, this statute required administrative fines to be deposited to the Permanent School Fund (63340).

7. Tranfers

The transfer of \$17,477 from the Motor Vehicle Industry Licensing Board Fund 24010 to the State General Fund was made as required by 2009 Special Session LB 1, § 228.



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**NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN EXAMINATION OF
THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Nebraska Motor Vehicle Industry Licensing Board
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Motor Vehicle Industry Licensing Board as of and for the year ended June 30, 2010, and have issued our report thereon dated March 17, 2011. We conducted our examination 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.

Internal Control Over Financial Reporting

In planning and performing our examination, we considered the Nebraska Motor Vehicle Industry Licensing Board's internal control over financial reporting (internal control) as a basis for designing our procedures for the purpose of expressing our opinion on the schedule of revenues, expenditures, and changes in fund balances, but not for the purpose of expressing an opinion on the effectiveness of the Nebraska Motor Vehicle Industry Licensing Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Nebraska Motor Vehicle Industry Licensing Board's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the financial schedule will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

However, we identified certain deficiencies in internal control that we consider to be significant deficiencies that are described in the Comments Section of the report: Comment Number 1 (Internal Control Over Receipts). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nebraska Motor Vehicle Industry Licensing Board's financial schedule is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our examination, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain additional items that we reported to management of the Nebraska Motor Vehicle Industry Licensing Board in the Comments Section of this report as Comment Number 2 (Remittance and Distribution of Fines Collected) and Comment Number 3 (Legal Counsel Contract).

The Nebraska Motor Vehicle Industry Licensing Board's written response to the findings identified in our examination are described in the Comments Section of the report. We did not examine the Nebraska Motor Vehicle Industry Licensing Board's response and accordingly, we express no opinion on it. Where no response is indicated, the Board declined to respond.

This report is intended solely for the information and use of management, the Nebraska Motor Vehicle Licensing Board, others within the Board, and the appropriate Federal and regulatory agencies. However, this report is a matter of public record, and its distribution is not limited.

Signed Original on File

March 17, 2011

Timothy J. Channer, CPA
Assistant Deputy Auditor

NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

STATISTICAL SECTION

Our examination was conducted for the purpose of forming an opinion on the schedule of revenues, expenditures, and changes in fund balances. Statistical Section 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.

