

State Auditor's Update

NASBO STATE CONVENTION

APRIL 21, 2022

DAKOTA CHRISTENSEN, CPA, CFE – SENIOR AUDITOR-IN-CHARGE




Filings with State Auditor

- Audit Reports
- Interlocal Agreements Report
- Budgets

Planning for Upcoming Audit


If not done so already, we recommend reaching out to your auditor now to obtain an agreement or engagement letter for the upcoming fiscal year 2022 audit.

School districts should obtain a signed agreement or engagement letter with a CPA or CPA firm sooner than later.

- If the school district is satisfied with their current auditor, school districts should make it a practice to obtain an agreement or engagement soon after the audit is completed.
 - If the school district is unsatisfied or wants to consider a new auditor, it should start the search as soon as possible.
 - Agreement/engagement letter can be just for a single year or multiple years such as a two or three year period.
 - This ensures the school district has an auditor engaged to do the upcoming audit.
 - This may protect the school district in situations where the CPA or firm may not be able to complete the audit that may cause the audit to be delayed due to the school district having to find a new auditor in a short timeframe.
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Audit Reports

Gov't Accounting Standards Board (GASB) Stmt No. 84 – Fiduciary Activities

- Was originally planned for FY2020, but was postponed one year due to COVID-19.
 - For FY2021, fiduciary activities should be reported in the basic financial statements.
 - May result reclassification of funds that were previously classified as fiduciary funds to governmental funds (e.g. activities fund)
 - Work with your auditor to determine fund is appropriately classified.
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Audit Reports

Filed with State Auditor by **November 5th**

- Electronic filing can be uploaded to website (<https://www.nebraska.gov/auditor/FileUpload/index.cgi?audit=1>)
- Submitting hardcopies is still allowed for filing with the State Auditor.

Penalty for filing audit late (LB 368; 2021)

- Effective for FY2021 school audits
- Beginning the day after the audit filing is due, the APA may assess a late fee of \$20 day
- Late fee shall not exceed \$2,000 per delinquency

Component Units

- If audit report references a separate component unit that is not included in the financials, need to send copy of component unit audit report. Otherwise, you do not have a complete audit filing.
- Example: foundation

If the Report on Internal Controls and Compliances references a separate letter with other certain matters communicated to management, this separate letter must be filed with the audit submission. This letter is often referred to the “management letter.”



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REPORT

- Audit/Waiver
- Budget
- Interlocal
- Bond Filing
- Forfeiture Filing
- Retirement Filing
- Certification of Education
- Continuing Education Training Request

By Year

33
Audits in Progress
July 9, 2021

101
Audits Completed
in FY2021

\$4 Billion
Federal Funds Audited
in FY2021

587
Bond Registrations Filed
in FY2021



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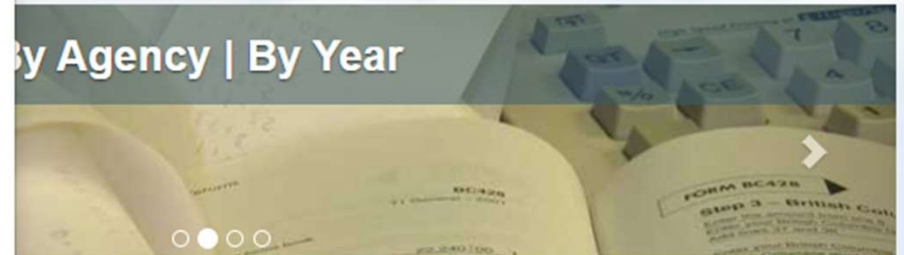
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- Audit Information
- Budget Information
- County Information
- Continuing Education Information
- Search Audits/Waivers
- Search Budgets
- Search Bonds
- Search Interlocals
- Search Forfeitures
- Search Retirement

by Agency | By Year



 **\$4 Billion**
Federal Funds Audited
in FY2021

 **587**
Bond Registrations Filed
in FY2021

Audit Reports –Types of Opinions

Unmodified – Nothing to worry about

Modified – Something is wrong, may be small or acceptable

Adverse – Something large is wrong. Needs to be fixed or separate filing depending on situation.

- If an Adverse opinion is given due to a component unit being excluded from the report, this is common and is acceptable as long as the component unit files a separate audit filing with our office. See previous slide regarding component units.

Disclaimer – Really bad, could not give an opinion. Needs to be fixed. If this occurs, contact our office and Education regarding plan of action to ensure compliance with the audit filing requirement.

Audit Reports

Auditor must be licensed CPA in Nebraska

- If the School is planning on using a different auditor than in the past, and if you are not sure if we accept audits from them, please give us a call before entering into an agreement for the audit. For a few CPAs in Nebraska, we do not accept audits from them, currently, due to various reasons.

Audit must be conducted in accordance with *Government Auditing Standards* (Yellow Book).

Interlocal Agreements

Form listing all agreements filed by September 30th each year. LB 644 (2021) changed the due date for interlocal reports to the 30th of September.

Not required to file actual agreements at this time, but you should know where they are filed at your school

- Agreements are a public record

Usually submitted alongside the budget.

Penalty for filing form late

- Notice of delinquent filing can be by fax, email or mail
- Beginning on the date of notice, late fee of \$20 day
- Late fee shall not exceed \$2,000 per delinquency
- If fail to report, State Auditor can perform audit and charge costs of audit to subdivision

Interlocal Agreements

What are they?

- Agreements the School has with another government entity.
- Examples would be an agreement between:
 - School and ESU
 - School and another School
 - School and City

How to find them?

- Look at vendors list – Are you paying another government entity?
- Look at receipts – Are you receiving payment from another government entity based on an agreement?
- Not always associated with receipt or disbursement, watch for agreements that share / exchange services

Budgets

LB 644 (2021) - Changes to Budget Setting Process

- Deadline for filing budget and LC-2 to NDE, Auditor of Public Accounts, and County Clerk was changed to September 30th.
- Resolution setting all tax requests filing deadline changed to October 15th.
- County Board of Equalization is required to set tax requests by October 20th.
- Last day County Board of Equalization can act to correct a clerical error that resulted in an incorrect levy stays the same – November 5th.
- If the increase of property tax request is more than the allowable growth percentage, the school district must participate in a joint public hearing that must be held on or after September 17th and prior to September 29th.
 - If the school district's area includes more than one county, the school district is deemed to be within the county in which the district's principal headquarters are located.
 - Allowable growth percentage is defined as the percentage equal to the sum of (a) two percent plus (b) the political subdivision's real growth percentage.
 - Real growth percentage is defined as the percentage obtained by dividing (a) the political subdivision's real growth value by (b) the political subdivision's total real property valuation from the prior year.

Budget Forms are usually released and published in June each year and will include any LBs that affect the budget. Watch for these changes on the budget forms. We will note the changes on the "Basic Input" tab in the budget forms.

Budget Changes after Hearing

Statute 13-506

If budget adopted is different than what was published, need to publish a summary in same manner as original publication within 20 calendar days.

Hearing Notice did not get published

Publish and schedule another hearing

We recommend to publish and hold hearing early. This will ensure you are not late filing budget if there is a problem with the hearing notice.

Statute 13-506

- Hearing notice must be published 4 days prior to hearing date
 - Four calendar days includes day of publication, but not day of hearing

2022-2023 Forms

If you have noticed issues with the forms or have suggestions to make the forms easier to use, please send those to our office for consideration.

Budget Amendments

Budget amendments must be made **prior to end of fiscal year**

Must file amendments with State Auditor, County Clerks and Education.

- Pages of budgets that changed
- Board minutes where amendment was approved
- Proof of publication for amendment hearing notice

Examples and instructions can be found on State Auditor website (auditors.nebraska.gov).

Budgets – Common Items/Issues

Before submitting the School's budget, review the budget for any error messages.

- Our forms are setup to show an error message in the field when something doesn't agree or is incorrect. If errors are shown, something needs corrected.

If revisions are made, need to ensure beginning balances agree to the previous page ending balance.

Actual beginning balance on page 4 of the current budget should agree to the actual ending balance from the prior year page 4.

- However, if the prior year ending balance on page 4 was incorrect, correct the current year budget and provide a short memo or note in the budget explaining the error and correction.

Budgets – Common Items/Issues

The actual beginning and ending balances on page 4 should agree to the cash balances per the audit report not the annual financial report (AFR).

- For example, for the upcoming 2022-2023 budget, the beginning balance on page 4 should agree to the fiscal year ending 8/31/2020 cash balances (e.g. cash/cash equivalents, restricted cash, etc.), and the ending balance on page 4 should agree to the FYE 8/31/21 cash balances.

Watch Out for Potential Scams

With the uptick in federal funding over the last few years, it is best to be on the lookout for potential scams.

If it looks questionable or too good to be true, it most likely is.

Our office has received several phishing emails over the last few years.

The following are a couple well known scams that we have seen in a few political subdivisions:

- QuickBooks – Village of Lewellen paid \$7,100 over two years for “QuickBooks Support” and QuickBooks Payroll Services Plan” in addition to the legitimate yearly renewal for QuickBooks and the small monthly payroll fee.
- SAM Renewal Support – Village of Wynot paid \$1,048 to SAM Renewal Support to register and renew for SAM.gov. SAM (System for Award Management) is free to register and use.

Watch Out for Potential Scams

How to protect the School District from scams:

- Research – Go directly to the source. For example, if you receive a questionable invoice from what appears to be QuickBooks, do not call the number or go to the website on the invoice. First, go to the company's legitimate secured website (<https://quickbooks.intuit.com/>), and find a number to call. Call that number and inquire about the questionable invoice.
- Ask someone else – Don't be afraid to ask someone else if something looks off. It is better to ask before paying for a scam and then having to deal with trying to get those funds back.
- Do not use debit cards – Debit cards do not provide much protection when it comes to fraud/stolen funds. Debit cards provide direct access to the entity's bank accounts (high risk). The window to report and recover fraudulent/scam payments is very small (e.g. 24-48 hours).
 - Pay bills/invoices through either the regular claims process or utilize a purchasing card (e.g. credit card). Credit cards provide more protection and have a larger window to report fraud/scams.
 - Note: Purchasing cards must be approved by the Board (Neb. Rev. Stat. 13-610)

Bidding Requirements

Neb. Rev. Stat. § 73-106(1) (Reissue 2018) requires the following for any school-owned building or site improvement project costing more than \$100,000:

Whenever any public school district in the state expends public funds for the construction, remodeling, or repair of any school-owned building or for site improvements, other than those expenditures authorized by section 81-829.51 for emergency expenditures or section 79-10,104 for facilities which are not to be owned by the district following their completion, the school board or its representative shall advertise for bids in the regular manner established by the board and accept or reject bids pursuant to section 73-101.

Bidding Requirements

Neb. Rev. Stat. § 73-101 as referenced in the statute on the previous slides provides the following requirements for bids:

Whenever the State of Nebraska, or any department or any agency thereof, any county board, county clerk, county highway superintendent, the mayor and city council or commissioner of any municipality, any entity created pursuant to the Interlocal Cooperation Act or the Joint Public Agency Act, or the officers of any school district, township, or other governmental subdivision, shall advertise for bids in pursuance of any statutes of the State of Nebraska, on any road contract work or any public improvements work, or for supplies, construction, repairs, and improvements, and in all other cases where bids for supplies or work, of any character whatsoever, are received for the various departments and agencies of the state, and other subdivisions and agencies enumerated in this section, they shall fix not only the day upon which such bids shall be returned, received, or opened, as provided by other statutes, but shall also fix the hour at which such bids shall close, or be received or opened, and they shall also provide that such bids shall be immediately and simultaneously opened in the presence of the bidders, or representatives of the bidders, when the hour is reached for the bids to close. If bids are being opened on more than one contract, the officials having in charge the opening of such bids may, if they deem it advisable, award each contract as the bids are opened. Sections 73-101 to 73-106 shall not apply to the State Park System Construction Alternatives Act or sections 39-2808 to 39-2823.

Pledged Collateral for Bank Deposits

Statute 77-2352

School district or township funds; security requirements.

No deposit in excess of the amount insured or guaranteed by the Federal Deposit Insurance Corporation shall be made in any bank, capital stock financial institution, or qualifying mutual financial institution designated as a depository unless and until the treasurer or ex officio treasurer has received from the depository as security for the prompt repayment by the depository either a corporate surety bond in form and with sureties approved by formal resolution by the governing body of such district or the giving of security as provided in the Public Funds Deposit Security Act. Section [77-2366](#) shall apply to deposits in capital stock financial institutions. Section [77-2365.01](#) shall apply to deposits in qualifying mutual financial institutions.

Pledged Collateral

FDIC Coverage is by Financial Institution

- \$250,000 for demand accounts (e.g. checking)
- \$250,000 for savings/investment accounts (e.g. savings, money markets, CDs)


Keep records of securities to support deposits were covered.

Statute 77-2387 lists the types of securities that are allowable

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Pledged Collateral

Single Bank Pooled Collateral Program (SBPC)

- Created under LB 622 (2019)
 - Allows participating banks to pledge collateral against the aggregate total public deposits at their bank instead of maintaining pledged collateral per public entity.
 - Statute 77-2398
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Pledged Collateral

Single Bank Pooled Collateral Program (SBPC) (cont.)

- The Nebraska Department of Banking and Finance appointed NBISCO (NE Bankers Insurance and Services Company) to administer the SBPC Program.
- On a monthly basis, NBISCO collects, confirms, and reports bank compliance with the pledging requirements.
- Further information about the program and current/historical compliance reports can be found on the Nebraska Bankers Association website:
 - <https://www.nebankers.org/nepooledcollateral>.

BANK COMPLIANCE REPORT



For Month Ending:

2/28/2021

FDIC #	BANK ROUTING NUMBER	BANK NAME	MEETS 102% STATUTORY PLEDGE REQUIREMENT	
19300	104000854	American National Bank	Meets Requirement	
15010	104913284	Columbus Bank and Trust Company	Meets Requirement	
5496	104900349	Cornerstone Bank	Meets Requirement	
5452	104000016	First National Bank of Omaha	Meets Requirement	
12248	104908956	First Nebraska Bank	Meets Requirement	
13622	104901610	First State Bank	Meets Requirement	
20488	104901678	Five Points Bank	Meets Requirement	
10639	104901607	Flatwater Bank	Meets Requirement	
17229	104913530	Henderson State Bank	Meets Requirement	
9819	104108316	Nebraska State Bank	Meets Requirement	

Credit Card Purchases

Appears to be greatest risk for abuse

Statute 13-610

- Governing body must approve persons who are assigned the cards
- Itemized receipt must be obtained for all purchases
- Cannot be used for unauthorized uses.

Duplicate Payments


Be sure to watch for duplicate payments

Best to pay from invoice

- A statement can be used to review to ensure invoices are not missed but due to timing of payments, paying from a statement may lead to duplicate payments

Review transaction register to see if any payments look like duplicates.

Examples can include:

- Payments to the same vendor one month apart
 - Payment amounts are the same
 - Descriptions are the same (e.g. same item, same quantity, same invoice #)
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Local Government Miscellaneous Expenditure Act

Statutes 13-2201 to 13-2204

Outlines the type of expenditures a local government can expend public money on

- Recognition Dinner. Allowed to spend \$50 per employee towards meal costs.
- Not allowed to spend public money on flowers/memorials
- Not allowed to spend public money on alcoholic beverages

Questions?

Contact Information

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