

**ATTESTATION REPORT
OF THE
NEBRASKA TOURISM COMMISSION
JANUARY 1, 2015, THROUGH DECEMBER 31, 2015**

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Issued on April 29, 2016

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NEBRASKA TOURISM COMMISSION

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NEBRASKA TOURISM COMMISSION

BACKGROUND

The Nebraska Tourism Commission (Commission) was created as a separate State agency in July 2012, by the passage of LB1053. Prior to that time, Travel and Tourism had been a division within the Nebraska Department of Economic Development, a separate State agency. Several of the current staff including the Director and Deputy Director worked within the Travel and Tourism division prior to the Commission being created.

The Commission's purpose is to administer tourism promotional activities in order to attract visitors and to increase the use of travel and tourism facilities in Nebraska. This includes developing a statewide strategic plan and providing Community Impact Grants and Marketing Grants to certain tourism promotion groups for marketing and promotional activities. The Commission has also implemented a series of other tourism-related activities to promote Nebraska, including publishing travel guides, hosting the annual Nebraska Tourism Conference and the Agri/Eco Tourism workshops, and participating in other promotional and marketing programs.

Nine commission members, serving four-year terms, are appointed by the Governor and approved by the Legislature to provide direction and oversight to the agency. Neb. Rev. Stat. § 81-3710 (Reissue 2014) outlines that the commission shall consist of members from certain entities across Nebraska. However, one of these entities, the Central Nebraska Tourism Partnership represented by Mr. Jasnoch, did not appear to be currently in operation.

The following are the current commission members:

Commissioner	Location	Term Expiration
John Chapo	Lincoln	7/1/2018
Jeff Boeka	North Platte	7/1/2016
Lisa Burke	North Platte	7/1/2018
Roger Dixon	Omaha	7/1/2016
Roger Jasnoch	Kearney	7/1/2018
Roger Kuhn	Lincoln	7/1/2016
Deb Loseke	Columbus	7/1/2018
Tony Moody	La Vista	7/1/2016
Carol Schlegel	Culbertson	7/1/2016

The main funding source for the Commission comes from a one percent lodging tax in Nebraska. Neb. Rev. Stat. § 81-3715 (Reissue 2014) provides the following:

There is hereby imposed an additional sales tax of one percent upon the total consideration charged for occupancy of any space furnished by any hotel in this state. The proceeds from such tax shall be paid to the State Visitors Promotion Cash Fund.

NEBRASKA TOURISM COMMISSION

BACKGROUND

(Concluded)

Below is a summary of the lodging tax receipts, as recorded in EnterpriseOne, the State's Accounting System, for the past 10 years:

Calendar Year	Lodging Tax	Calendar Year	Lodging Tax
2006	\$3,195,504	2011	\$3,935,109
2007	\$3,523,735	2012	\$4,304,439
2008	\$3,707,997	2013	\$4,513,568
2009	\$3,569,233	2014	\$4,836,480
2010	\$3,777,915	2015	\$5,275,367

***Note:** The calendar year receipt amounts were summarized based on the deposit transaction date in EnterpriseOne. There is a time lag between lodging tax collections and when those amounts are actually deposited to the fund.*

The Commission has contracted with or paid certain vendors to assist in fulfilling its purpose. The following summary includes the top 10 payees during the 2015 calendar year, excluding amounts paid for payroll expenses.

Payees/Other	Total
Bailey Lauerman & Associates	\$3,584,619
Swanson Russell	\$178,259
Omaha Sports Commission	\$150,000
Nelnet Servicing LLC	\$71,337
NET Foundation - Television	\$70,500
Cornhusker State Games	\$63,883
Purchase Card Transactions (Multiple Payees)	\$63,007
University of Nebraska - Lincoln	\$50,197
GoodThink	\$44,000
Most Valuable Publications	\$41,500
Total Payments to Top 10 Payees	\$4,317,302
Total Expenditures (Non-Personal Services)	\$5,203,578
Top 10 payees as % of Total Expenditures	83%

NEBRASKA TOURISM COMMISSION

EXIT CONFERENCE

An exit conference was held April 7, 2016, with the Nebraska Tourism Commission to discuss the results of our examination. Those in attendance for the Commission were:

NAME	TITLE
Kathy McKillip	Director
Heather Hogue	Deputy Director
John Chapo	Chairperson
Deb Loseke	Commissioner

NEBRASKA TOURISM COMMISSION

SUMMARY OF COMMENTS

During our examination of the Commission, 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. ***Photo Shoot Expenses – Including Alcohol, Cigarettes, and Cash Withdrawals:*** The Auditor of Public Accounts (APA) identified several questionable expenses for a photo shoot across Nebraska from June 2-10, 2015. The questionable expenses during the tour included alcohol, cigarettes, cash withdrawals, mileage reimbursements, talent fees, prop-related purchases, contractor time, food, gratuities, use of the State plane, and sales tax.
2. ***Nebraska Tourism Conference:*** Several questionable expenses related to the 2015 Tourism Conference and other coding issues were identified. This included paying one speaker \$44,000 for an hour and a half, chair massages at the conference, and paying for extra meals.
3. ***Over-Budget Contracts and Other Issues:*** The Commission had no procedures to enter purchase orders against its contracts in the State Accounting System. As a result, the Commission's expenditures for two contracts were over the contract amount by \$4.4 million. Other contracts were not bid out or included on the State's database, as required.
4. ***Gifts and Other Benefits from Contractors:*** Certain gifts and other benefits, including meals and alcohol, were given to Commission employees, Commissioners, and their spouses during the calendar year 2015.
5. ***Employee Moving Expenses:*** The Commission paid \$18,511 to relocate an existing employee from Sidney to Kearney. There was no prior written agreement, and the costs included \$8,000 for the realtor's commission on the house sold.
6. ***Control Environment:*** The Commission's internal control environment was not conducive to fair and complete financial reporting, including a lack of involvement by the Commissioners in the day-to-day operations, inadequate documented reviews, and no segregation of duties.
7. ***State Visitors Promotion Cash Fund Budget:*** The Commission exceeded its appropriated authority for fiscal year 2015 for the State Visitors Promotion Cash Fund by over \$700,000. The Appropriations Committee also expressed concerns over the Commission's budget deficit request.
8. ***Tourism State Aid:*** The Commission failed to meet earmarks required by the Nebraska Legislature for certain State Aid appropriation amounts.

NEBRASKA TOURISM COMMISSION

SUMMARY OF COMMENTS

(Continued)

9. ***Tourism Grant Procedures:*** Certain issues were identified within the Commission's grant procedures, including not keeping judges' scorecards, not date stamping applications, and expenses paid outside of program guidelines.
10. ***Travel Testing:*** Several travel-related expenses tested appeared unreasonable, lacked supporting documentation, or were not in compliance with State law or established policies.
11. ***Other Expenditure Issues Including Lack of Documentation:*** Several expenses lacked adequate documentation, were prepaid, or were coded incorrectly in the State Accounting System.
12. ***Commission Rules and Regulations:*** Since becoming a State agency in 2012, the Commission has not adopted or promulgated any rules and regulations, as required.
13. ***Tourism Strategic Plan:*** The Commission has outsourced its statutory duty to develop a statewide strategic plan; however, the APA identified the absence of certain items that are statutorily required to be included in the plan.
14. ***Fixed Assets:*** The Commission incorrectly coded certain capital assets and lacked monitoring of assets to ensure they were properly identified in the State Accounting System.
15. ***Payroll Processing:*** The Commission incorrectly coded payroll expenses, lacked documentation supporting certain deductions or other items, including sick leave used, and incorrectly recorded one employee's adjusted service date.
16. ***Timely Deposit of State Funds:*** The Commission was not depositing revenues timely, as required by State statute.
17. ***Third-Party Payment Processor:*** The Commission utilized a third-party payment processor that was not approved by the State Treasurer or the Director of Administrative Services, as required by State law.
18. ***Commission Merchandise:*** After the calendar year 2015, the Commission purchased several items for resale; however, it lacked authority to deposit the proceeds of such sales into its funds. As a result, the merchandise was to be given away to promote Nebraska.
19. ***EnterpriseOne User Access:*** Several employees' access within the State's Accounting System was not limited to those who actually needed such access.

NEBRASKA TOURISM COMMISSION

SUMMARY OF COMMENTS

(Concluded)

- 20. *Affordable Care Act:*** The Commission lacked adequate procedures to monitor the status of temporary employees to ensure compliance with the Affordable Care Act.

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 Commission.

Draft copies of this report were furnished to the Commission 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 Commission 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 TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

1. Photo Shoot Expenses – Including Alcohol, Cigarettes, and Cash Withdrawals

Two Commission employees and others within Bailey Lauerman organized a millennial photo and video shoot across the State of Nebraska from June 2-10, 2015. Hundreds of thousands of dollars of State funds were expended for related expenses, including payments to talent and sub-contractors, hourly contractor time, travel expenses, airfare, meals, entertainment, and other reimbursements. The APA identified significant issues related to the photo shoot expenses, as summarized below.

a) Payments for Alcohol and Cigarettes

On July 29, 2015, Bailey Lauerman requested reimbursement from the Commission for, among other charges, \$5,208 in travel expenses related to the photo and video shoot. Because the Commission failed to receive adequate documentation to support the reimbursement amount requested, the APA obtained the documentation directly from Bailey Lauerman.

The documentation obtained by the APA revealed that over \$350 of the amount requested by Bailey Lauerman was for alcohol and cigarette purchases. Included were charges for several bottles of wine, three bottles of Tanqueray Gin, a bottle of Crown Royal Canadian whisky, multiple packs of Coors beer cans, a box of Marlboro Gold Pack 100's (Cigarettes), and a significant amount of other alcohol purchased during meals while on the shoot. Below are three examples of those receipts:

BL Credit- NETOUR Photo/Video Shoot

SCOTTY'S RANCHLAND FOODS
108 WEST HWY 20
Valentine, NE 69201

LIQUOR

TANQUERAY GIN	2 B	\$22.90 EA	\$45.80 T
---------------	-----	------------	-----------

BEER

COORS LITE CAN		\$10.95 T
----------------	--	-----------

PRODUCE

3 FOP	\$2.00	\$0.67 F
-------	--------	----------

Balance Due \$53.42
VISA \$53.42
[S] XXXXXXXXXX02052
EXP. DATE: 00/2000
Seq. # = 814084
CHANGE \$0.00
Total number of items sold = 5
SUB TOTAL \$50.20
TOTAL TAX \$3.22
TOTAL \$53.42

Age Confirmed - 03/05/1960

WASHER NAME: REBEKAH
00215 #0134 18:54:33 4JUN2015
000392 R004

Thank You!
Please Come Again!

NE LOUIC Photo/Video Shoot

STETSON'S CORNER STORE
101 HIGHWAY 92
LEMOYNE, NE 68138
(308) 726-2369

1 MB GOLD PACK 100'S
1 LB. PEPPER 20 OZ.

1 MB GOLD PACK 100'S	\$11.89
1 LB. PEPPER 20 OZ.	\$25.81
	\$0.33
	\$26.14

Car: APPROV: [Signature]

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Photo Shoot Expenses – Including Alcohol, Cigarettes, and Cash Withdrawals**

(Continued)

The APA also noted that Bailey Lauerman reimbursed the Director for the purchase of two bottles of wine. After reimbursing the Director, Bailey Lauerman then included that amount in its travel expense reimbursement request to the Commission, as identified in the total above. The APA has included a summary of the related purchases, totaling \$5,208, on **Exhibit B**.

Because a number of receipts were missing, insufficiently detailed, or illegible, it was impossible to discern with any certainty what Bailey Lauerman actually bought. It is highly probable, therefore, that additional alcohol was purchased; however, due to the lack of documentation, the APA could not make that determination.

The Nebraska State Accounting Manual, AM-005, Travel Expense Policies, Section 6a, Meals, states the following, “No reimbursement may be made for alcoholic beverages.”

Further, the Nebraska State Accounting Manual, AM-005, Travel Expense Policies, Section 5, Substantiation of Expenses, states the following:

To be reimbursed, the expense must be a necessary expense, incurred in the line of duty, reason/purpose of the expense must be clearly stated, all start/stop dates and times must be recorded, and the amount of the expense must be substantiated.

When Commission expenses are neither in accordance with State policies nor reasonable and necessary, there is an increased risk for the misuse of State funds.

We recommend the Commission implement policies and procedures to ensure that all Commission expenditures are reasonable, necessary, and in accordance with State policies.

Commission Response: The Commission was unaware that the reimbursements were being submitted for payment. The Commission’s pre-audit invoicing process did not have receipts attached. Reimbursement claims would have been denied due to state policy of not paying for such items mentioned. In addition, the Commission believes that in partnering with the Department of Administrative Services (DAS) for accounting and human resource services these errors will not occur. The Commission agrees with and supports the state policy, “No reimbursement may be made for alcoholic beverages”.

b) Director’s Mileage Reimbursement

As part of the photo shoot expenses, the Commission reimbursed the Director \$1,318 for over 2,200 miles put on her daughter’s convertible, which was used in certain parts of the shoot. However, the Commission also paid for the gas to fill up the vehicle.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Photo Shoot Expenses – Including Alcohol, Cigarettes, and Cash Withdrawals**

(Continued)

The APA identified over 18 gas purchases, totaling \$1,019, that were charged to the Commission's purchasing card. Additionally, Bailey Lauerman was reimbursed for seven other gas purchases totaling \$294. The total amount of gas purchased specifically for the convertible could not be determined, as fuel receipts were missing for other vehicles rented during the shoot, and the agency did not keep track of which vehicles were filled up. However, it is unreasonable for an agency to reimburse an employee for mileage and pay for the gas as well. Depending on the circumstances, an employee requesting reimbursement for certain amounts already paid for separately by the Commission could raise concerns regarding possible abuse, if not actual fraud. The APA also noted that \$32 was paid by the Commission for sales tax.

The standard mileage reimbursable rate established by the Internal Revenue Service already includes fixed and variable costs, including gas. Agency reimbursements in excess of actual reimbursable costs results in the loss of State funds.

Neb. Rev. Stat. § 81-118.02(4) (Reissue 2014) requires itemized receipts to accompany all State purchasing card purchases, and Neb. Rev. Stat. § 77-2704.15(1)(a) (Supp. 2015) requires that purchases made by the State be exempt from sales tax.

We recommend the Commission implement procedures to prevent duplicate payments and to ensure no reimbursements are made for non-reimbursable expenses, and sales tax is not paid on State purchases.

Commission Response: The Commission was in correspondence with DAS regarding use of the Purchase Card (PC) for fuel. Many fueling stations across the state only have pay at the pump services, especially after hours, to which validation of a tax exempt form would not be of any assistance. In addition, the State's Transportation Services Bureau (TSB) Voyager fuel cards are only available for use on each specifically assigned TSB fleet vehicle. The Voyager fuel card removes tax from the purchase. The vehicle was used for transport of talent, props, gear, food and supplies. Additional project supplies were divided among several non TSB issued vehicles. There was no way to tow the vehicle used in the shoot, it had to be driven due to the fact that both vehicles transporting talent and team members were also pulling trailers. The vehicle used in the shoot was also used to run errands, scout facilities, and staging. Many times the teams and talent split up to utilize time and locations to the fullest potential. The Director was unaware that the vehicle in the shoot was provided with gas at a remote location. Talent and other team members often drove the vehicle since it was not attached to trailers. Some mileage to remote locations were estimates and not every driver recorded each distance specifically.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Photo Shoot Expenses – Including Alcohol, Cigarettes, and Cash Withdrawals**

(Continued)

c) ***Photo Shoot Talent***

The Director's daughter was among the paid talent used during the shoot. The Commission reimbursed Bailey Lauerman the \$550 fee paid to the daughter, as well as to each of the other talent, for their services. The Commission also paid the cost of all meals, drinks, and lodging for the talent during the shoot. Per the Director, her daughter was used for the shoot because few other people were available between June 2-10; however, such scarcity of talent was not documented. In addition, there was a lack of documentation supporting the \$550 paid to each of the other talent.

Neb. Rev. Stat. § 49-1499.07(2) (Reissue 2010) prohibits an official or employee in the executive branch of State government from engaging in nepotism. Subsection (1)(b) of that same statute defines nepotism as follows:

Nepotism means the act of hiring, promoting, or advancing a family member in state government or recommending the hiring, promotion, or advancement of a family member in state government, including initial appointment and transfer to other positions in state government[.]

Bailey Lauerman's hiring of the Director's daughter as talent for the shoot does not run afoul of the above statutory prohibition. Even if the Director had recommended the hiring, the fact that the resulting employment occurred within the private sector, as opposed to within State government, renders § 49-1499.07(2) inapplicable to the this particular situation.

The hiring of the Director's daughter by Bailey Lauerman gives rise to potential concerns involving other statutory prohibitions against improper personal gain by public officials, employees, or their family members. For instance, Neb. Rev. Stat. § 49-14,101(1) (Reissue 2010) provides the following:

(1) No person shall offer or give to the following persons anything of value, including a gift, loan, contribution, reward, or promise of future employment, based on an agreement that the vote, official action, or judgment of any public official, public employee, or candidate would be influenced thereby:

(a) A public official, public employee, or candidate;

(b) A member of the immediate family of an individual listed in subdivision (a) of this subsection; or

(c) A business with which an individual listed under subdivision (a) or (b) of this subsection is associated.

Subsection (2) of that same statutes adds the following:

No person listed in subsection (1) of this section shall solicit or accept anything of value, including a gift, loan, contribution, reward, or promise of future employment based on an agreement that the vote, official action, or judgment of the public official, public employee, or candidate would be influenced thereby.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Photo Shoot Expenses – Including Alcohol, Cigarettes, and Cash Withdrawals**

(Continued)

Per subsection (3) therein, a violation of either of the above two prohibitions is punishable as a Class III misdemeanor.

Of similar concern is Neb. Rev. Stat. § 49-14,101.01(1) (Reissue 2010), which provides the following:

A public official or public employee shall not use or authorize the use of his or her public office or any confidential information received through the holding of a public office to obtain financial gain, other than compensation provided by law, for himself or herself, a member of his or her immediate family, or a business with which the individual is associated.

A violation of § 49-14,101.01 is punishable as a Class III misdemeanor.

Due to the stringent State laws prohibiting both nepotism within the executive branch of State government and improper personal gain by public officials, employees, or their family members, those who work for the Commission must exercise extreme caution to avoid any action that could constitute or give even the appearance of such unethical behavior.

We recommend the Commission implement procedures to ensure that no activities undertaken by Commission employees, Commissioners, or their family members violate or give even the appearance of a violation of State laws prohibiting nepotism within the executive branch of government or improper personal gain.

Commission Response: In previous advertising and marketing shoots, professional talent had been used from the Nebraska Metro area and Talent Agencies. Due to cost concerns expressed by the Director and the nature of Phase 5 project, Bailey Lauerman was directed to use local talent. Information seeking talent was shared via the Tourism Think Tank group, The Nebraska Tourism Commission Interns, with previous Nebraska Tourism volunteers and members of the University of Nebraska-Lincoln Greek system. Due to either the nature of the Phase 5 shoot, location and duration or summer month requirement, it was challenging to find talent able to leave summer employment for eight days. Talent ranged in ages 18-26. Talent had to be flexible and willing to be on location from sunrise to sunset, available to work more than 12 hours per day, willing to camp out as needed and participate in activities that represented outdoor opportunities across Nebraska. Talent completed medical release forms, limited liability forms and a Participant Use of Likeness Agreement, crafted by the Nebraska Attorney General office (AG). They provided insurance cards, valid Driver's licenses and signed a waiver/photo release form. All talent supplied photos for review to the Bailey Lauerman Phase 5

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Photo Shoot Expenses – Including Alcohol, Cigarettes, and Cash Withdrawals**

(Continued)

selection team for consideration and selection. The Commission Director was not part of the talent application or selection process. The fee paid for all talent was the same. It was considered to be a stipend for work. Should the Commission have paid for professional talent, those rates would have ranged from \$2500-\$5000 per day for still image shots and video. In addition, professional talent requires personal transportation or reimbursement of, lodging, meals, additional expenses as incurred and a clothing allowance. For a team of seven, professional fees would have been estimated at \$140,000-\$280,000 without expenses. The Commission paid out \$2,750.00 total for talent. Talent provided their own wardrobe. (Source; Sally Mars Productions Inc, Minneapolis, MN.)

The goal of Phase 5 photo shoot was to be as cost effective and time efficient as possible while covering hundreds of miles supporting Nebraska's diverse activities and attractions that would surprise and stimulate Millennial travel and interest across Nebraska.

d) Bailey Lauerman Cash Withdrawals

The Commission reimbursed Bailey Lauerman \$244 for ATM withdrawals and related fees, as documented on the internal expense reimbursement document. The following was noted:

- On June 7, 2015, \$100 cash (\$2 fee) was withdrawn. Per Bailey Lauerman, this was the cost to rent the drive-in theater for the photo shoot. There were no receipts other than the internal expense reimbursement document.
- On June 7, 2015, \$140 cash (\$2 Fee) was withdrawn. Per Bailey Lauerman, this was for the cost of movie snack, t-shirts (wardrobe), and extras. There were no receipts other than the internal expense reimbursement document.

These amounts have been summarized on **Exhibit B**.

The Nebraska State Accounting Manual, AM-005, Travel Expense Policies, Section 5, Substantiation of Expenses, states the following:

To be reimbursed, the expense must be a necessary expense, incurred in the line of duty, reason/purpose of the expense must be clearly stated, all start/stop dates and times must be recorded, and the amount of the expense must be substantiated.

Good business practices require procedures to ensure adequate documentation is received prior to reimbursement of expenses. When expenses are paid without adequate documentation, there is an increased risk for the loss or misuse of State funds, especially when cash expenditures are involved.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Photo Shoot Expenses – Including Alcohol, Cigarettes, and Cash Withdrawals**

(Continued)

We recommend the Commission implement procedures to ensure adequate documentation is obtained and maintained to support all reimbursements. Such procedures should include a certain degree of monitoring to ensure expenses are reasonable, necessary, and within State policy.

Commission Response: The Commission was unaware that there were cash withdrawals and ATM charges submitted for reimbursement. The Commission's reimbursement process does not support this. The Commission will be partnering with DAS in the near future regarding an agency assistance program which will prevent such related items prior from being reimbursed.

e) ***Bailey Lauerman Purchased Items***

On July 1, 2015, Bailey Lauerman requested reimbursement, totaling \$646, for props used in the shoot. The props included rope, bandanas, soda pop, waders, tarps, tubes, a bow saw, tea, wine glasses, plates, lanterns, and other food items. However, the Commission did not keep any of those props. According to Commission staff, "Bailey Lauerman did not keep any of the props. Some props were discarded, others were donated to the Nebraska Tourism Conference Silent Auction."

The APA also identified additional props as part of the summary included on **Exhibit B**.

Neb. Rev. Stat. § 81-161.04 (Reissue 2014) outlines specific steps that an agency must take when disposing of State property.

Sound business practices require procedures to ensure that the Commission retains possession of items purchased with public funds, as those assets are State property and should be treated accordingly. When the Commission fails to retain possession of such objects, there is an increased risk for loss or misuse of State property.

We recommend the Commission implement procedures to ensure items purchased or reimbursed with public funds are retained and treated as State property, as required by State law.

Commission Response: Props were purchased for the Phase 5 photo shoot by both the Commission and Bailey Lauerman. Those purchased by the Commission were either placed in storage, broken or damaged, consumed or shared with supporting state agencies. Commission staff was unaware what specific props Bailey Lauerman had purchased. Several items were provided to the Nebraska Travel Association Silent Auction (NETA) during the 2015 Nebraska Travel Conference. A clarification, there is no such activity that is called the Nebraska Tourism Conference Silent Auction. The Commission is now aware of the state procedure regarding proper disposal of (PC) purchased items and has adjusted internal policy and procedures to be in compliance.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

1. Photo Shoot Expenses – Including Alcohol, Cigarettes, and Cash Withdrawals

(Continued)

f) *Commission Purchase Card Purchases*

The Commission also purchased additional props for the photo shoot on the Director's State purchasing card; however, none of those items were on hand. Several of the props were later found at the Bailey Lauerman storage facility and brought to the APA for inventory purposes. The following table provides a summary of the missing props, as identified by the APA.

Date	Vendor	Items Purchased	Items Located	Total Cost	Description
5/31/2015	Menards	21	13	\$100.87	Props and other supplies, including lighter, propane, candles, popcorn maker, etc.
6/1/2015	Menards	24	9	\$214.32	Props and other supplies, including dog food, water shoes, rugs, shades, bug spray, dog flea repellant, men's and women's sunglasses, etc.
6/1/2015	U-Haul	2	1	\$90.85	A towing starter kit and a tri-ball hitch for towing trailers. Per the Commission, the towing starter kit is located at the University of Nebraska's Lincoln campus.
	Totals	47	23	\$406.04	

Neb. Rev. Stat. § 81-161.04 (Reissue 2014) outlines specific steps that an agency must take when disposing of State property.

Sound business practices also require procedures to ensure that the Commission retains possession of items purchased with public funds, as those assets are State property and should be treated accordingly. When the Commission fails to retain possession of such objects, there is an increased risk for loss or misuse of State property.

We recommend the Commission implement procedures to ensure items purchased or reimbursed with public funds are retained and treated as State property, as required by State law.

Commission Response: Items purchased with the PC card were stored offsite until the Commission's storage room in the lower level of the State Office Building could be cleaned out to accommodate additional material. DAS was notified the PC card would be used for such purchases so it could be available. Items are currently located in the Commission's storage room. However, damaged, consumed or broken items have been discarded. Specifically, the tri-ball hitch is in storage. A detailed inventory list of the Commission's storage facility and items has been conducted by the Commission's Accountant II and is on file.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Photo Shoot Expenses – Including Alcohol, Cigarettes, and Cash Withdrawals**

(Continued)

g) ***Bailey Lauerman Time Reimbursement***

The Commission reimbursed Bailey Lauerman over \$47,000 for staff time spent working on and preparing for the shoot – at a rate of \$115 per hour. Due to the Commission's failure to receive supporting documentation for this reimbursement, the APA obtained the needed records directly from Bailey Lauerman.

One Bailey Lauerman employee tested was reimbursed for what appears to have been an excessive number of hours for the nine-day period. While the hours may have actually been worked, the total number billed for certain days does raise questions – especially when realizing that one would have to work from 8:00 a.m. to 10:06 p.m., with no breaks for breakfast, lunch, or dinner, in order to accumulate 14.1 work hours in a single day. As illustrated in **Exhibit B**, as well as indicated previously herein, there did not appear to be any shortage of alcohol, food, and other meals being consumed during that timeframe.

In the following table, the APA has summarized the work hours claimed during the shoot tour for one Bailey Lauerman expense tested.

Date	Day	Hours	Rate	Amount
6/2/2015	Tuesday	14.1	\$115	\$1,622
6/3/2015	Wednesday	14	\$115	\$1,610
6/4/2015	Thursday	8	\$115	\$920
6/5/2015	Friday	13	\$115	\$1,495
6/6/2015	Saturday	11	\$115	\$1,265
6/7/2015	Sunday	12	\$115	\$1,380
6/8/2015	Monday	8	\$115	\$920
6/9/2015	Tuesday	10	\$115	\$1,150
6/10/2015	Wednesday	9	\$115	\$1,035
Totals		99.1		\$11,397

Note: This individual had additional hours before and after these dates; however, these were included as examples because these are the dates of the photo shoot trip.

Good internal controls require procedures to monitor contractor time to ensure it is reasonable and necessary.

We recommend the Commission implement procedures to ensure adequate documentation is obtained and maintained to support agency expenses. Such procedures should include monitoring of expenses to ensure they are reasonable and necessary.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Photo Shoot Expenses – Including Alcohol, Cigarettes, and Cash Withdrawals**

(Continued)

Commission Response: Billable hours for the Phase 5 photo shoot. Marketing and promotion is expensive, even with the best policy and procedures in place. It is first and foremost the priority of the Commission to be as mindful of marketing and advertising costs whenever possible. Hourly rates for production crews to craft an inventory of still images, commercials and videos can range on an average of \$2500 per day per team member that consist of a Producer, Creative Director, Wardrobe/Props/Talent Coordinator. Bailey Lauerman and the Commission Director assumed such responsibilities to reduce cost. Some members of Bailey Lauerman staff were also used as talent as needed to fulfill a shot, image or video. In addition, Producer duties, would have involved talent sourcing/casting and location scouting. Time allotment is generally based on 1 to 2 days of scouting per location request, however, for Phase 5, scouting and shooting was being conducted at the same time to be cost efficient and to accommodate weather conditions. As an example, if one is seeking a small-town cafe type location and a farm house location, it is fair to assume 4 days of location scouting. If seeking something more readily available, such as a family home, the time allotment would be in the lesser portion of the provided range. Specialized locations such as commercial businesses or crop-specific farmsteads will generally take additional time, and the actual usage costs for such locations are higher as well. Casting rates are less formulaic, with a minimal, single-source casting generally estimated at around \$3500 per day, versus a broad-based “real people” casting which can run upwards of \$7500 per day depending upon talent specifications – full day bookings, usage requirements of material being produced, and cast size.

Phase 5 days schedules began at sunrise and ended well after sunset. Work was discussed during all hours of the day, including changes in scouting locations, review of video and potential edits, review of daily images, loading and unloading between locations and eating meals on the road driving between locations. Assignments such as these do not adhere to normal office hours or breaks. The work is constant and nonstop until days’ end. Travel between locations is required and not considered a break. Props made and or assembled by other team members as required, last minute load up and transporting due to severe weather changes all occur while making sure the best light is being captured at dawn and dusk. For example, it took more than 2 hours just to load the attached camera equipment onto the talent’s vehicle for one of the video shoots.

h) Food and Gratuities

Meals, food, snacks, and other gratuities provided during the shoot were also included in the Bailey Lauerman reimbursement request on July 29, 2015. However, several of the meals reimbursed did not appear reasonable and within the General Services Administration (GSA) established rates, or there was a lack of documentation supporting the meals.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

1. Photo Shoot Expenses – Including Alcohol, Cigarettes, and Cash Withdrawals

(Continued)

The following are examples of concerns with the food and gratuity portion of the reimbursement request.

- Bailey Lauerman was reimbursed \$177 for five individuals to eat lunch while shooting in a restaurant. The GSA rate for lunch was \$11 each or \$55 total. The only documentation supporting the amount spent was order tickets with no prices and a credit card statement.
- Bailey Lauerman was reimbursed \$295 for 10 individuals to eat dinner in Omaha. A 20% gratuity had been included in the original bill; however, an additional \$20 tip was included for a total tip of \$62. The State should not make reimbursements for excessive additional gratuities.
- Bailey Lauerman was reimbursed \$88 for a convenience store purchase in Crawford, NE. The only documentation was a credit card statement.

All the other meal-related expenses are summarized on **Exhibit B**.

When amounts reimbursed are not reasonable and necessary or lack adequate documentation, there is an increased risk for the loss or misuse of State funds. Reimbursements to contractors shall also fall under the established State policies.

We recommend the Commission implement procedures to ensure adequate documentation is obtained and maintained to support agency expenses. Such procedures should include monitoring of expenses to ensure they are reasonable and necessary.

Commission Response: State Accounting manual states that the GSA limits are to be used as a guideline. There is not a state statute or policy that requires the GSA to be adhered to, however, it is important to be mindful of the GSA limit. Commission policy can be tested and put into place. Specifically regarding this item, food at the Drifter Homestead Cook Shack was for more than five individuals, approximately 18 orders were utilized and incorporated into the shoot. The Commission is aware that excessive gratuities are not encouraged by the state. The Commission does promote and represent the Travel and Tourism industry where gratuities are critical and representative of ones work and the traveler's satisfaction with the service. However, reimbursement should have not been approved without proper documentation from the Commissions accounting process.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Photo Shoot Expenses – Including Alcohol, Cigarettes, and Cash Withdrawals**

(Continued)

i) ***Bailey Lauerman Mileage Reimbursement***

Also included in the July 29, 2015, travel reimbursement request from Bailey Lauerman was a claim for one of their staff member's mileage (120 miles) "to and from Lincoln for Shoot" on June 2, 2015. However, this individual left with the team from Lincoln that morning and also had a lunch receipt in Mullen, NE, on that same day. Therefore, it is questionable as to why the Commission would reimburse Bailey Lauerman for the return trip mileage (60 miles) to Omaha on June 2nd.

As with the other items tested and summarized on **Exhibit B**, the Commission did not have adequate documentation on file to support the travel expense. When amounts reimbursed are not reasonable and necessary, there is an increased risk for the loss or misuse of State funds.

We recommend the Commission implement procedures to ensure adequate documentation is obtained and maintained to support agency expenses. Such procedures should include monitoring of expenses to ensure they are reasonable and necessary.

Commission Response: Carpooling occurred with Bailey Lauerman staff regarding one leg of the travel reimbursement "to and from Lincoln for the shoot" causing the variance. The Commission will obtain adequate documentation from the vender regarding reimbursements in the future to support agency expenses and ensure that they are reasonable.

j) ***State Airplane Usage***

In order for one Commission employee to join the shoot, the Commission paid \$2,775 for the State airplane to fly from Lincoln, NE, to Valentine, NE, on June 4, 2015. One of the talent personnel (who became ill) and a Bailey Lauerman staff member took the airplane home; however, due to weather, they had to stop at Kearney, NE, to spend the night and fly home on the 5th, resulting in an additional food and lodging expenses of \$292.

There was no documentation or analysis as to whether using the State airplane was the most reasonable and efficient method of travel, as it is approximately 305 miles – or a five-hour drive – from Lincoln to Valentine. There was also no documented authorization from the Commission to use the airplane. The actual pilot time billed was for 8.2 hours. Per the Director, it was necessary to travel quickly due to switching out the talent schedules.

Good business practices require procedures to ensure that the most economical method of travel is considered. When such procedures are not in place, there is an increased risk for the misuse of State funds.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Photo Shoot Expenses – Including Alcohol, Cigarettes, and Cash Withdrawals**

(Continued)

We recommend the Commission implement procedures to document the reasonableness of travel expenses and approve the use of alternate transportation, including in-state flights, only when deemed necessary.

Commission Response: The Commission does not currently have a state airplane usage policy in place. The Commission has utilized the Nebraska Department of Aeronautics services for statewide travel in the past due to scheduling limitations and timing issues, this occurred two times within five years, which is not considered excessive. During Phase 5 it was important to get additional vehicle drivers and talent back and forth. Talent returning home would have had to have driven a personal vehicle (hundreds of dollars in mileage reimbursement costs) as talent was used for video and still photography during the first leg of the trip in northwest Nebraska. One talent member became ill and had to return home. The state airplane is a tool that allows any state agency to rapidly service the needs of the constituency across the state. A one day meeting/event or photo shoot at Toadstool/Ft. Rob around Chadron equates to 3 man-days lost per traveler if driving. If using the aircraft, at worst the travel loss is .5 man-days/traveler. Work can also be done on the airplane which mitigates some of the loss. Physical presence can be tough to quantify in an accounting sense, but the value-added of being able to adapt to situations that arise can be cost efficient and necessary. By no means does Nebraska Tourism Commission rank in the state's top five agencies of aircraft usage, the Commission is more the anchor, or, at the very bottom of the list. The Commission cannot control weather patterns and changes. Safety for the volunteers, staff and the pilot are first and foremost of the highest concern. It was unforeseen that the aircraft would encounter severe weather grounding it for the night in Kearney. The Commission currently works with the Nebraska Department of Aeronautics regarding cost estimates comparisons in advance versus ground transportation.

k) Rental Vehicle Insurance and Sales Tax

The Commission rented a Ford Expedition from Avis Rental Car for transportation and hauling props for the shoot. The expense was charged to the Director's State purchasing card. Of the \$806 paid to rent the vehicle, however, \$562 included loss waivers, insurance, and sales tax that should not have been paid.

Neb. Rev. Stat. § 77-2704.15(1)(a) (Supp. 2015) exempts sales and use taxes from State purchases, as follows:

Sales and use taxes shall not be imposed on the gross receipts from the sale, lease, or rental of and the storage, use, or other consumption in this state of purchases by the state

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Photo Shoot Expenses – Including Alcohol, Cigarettes, and Cash Withdrawals**
(Concluded)

Nebraska State Accounting Manual, AM-005, Travel Expense Policies, Section 7, Personal Automobiles, states the following:

*An employee should decline rental agency insurance coverages. Please refer to your agency's annual letter from Risk Management. There is a section on rental cars. Under Section III B, it states that you should **NOT** accept the coverages because the car rental is covered by the State's insurance.*

When sales tax is not excluded from State purchases, the Commission is not in compliance with State Law. When rental car insurance coverage is purchased, the Commission is not in compliance with the State Accounting Manual.

We recommend the Commission implement procedures to ensure all purchases and rentals are in compliance with both State law and the State accounting manual.

Commission Response: The Commission was unaware that rental insurance had been purchased. There were several potential drivers that were not state employees assigned to driving the rented Ford Expedition. It will decline such insurance options in the future. Should a project of this scope and magnitude occur in the future for marketing purposes, the Commission will follow corrected procedures to insure compliance with state laws and accounting policies.

2. **Nebraska Tourism Conference**

The Commission hosted approximately 150 registrants at the 2015 Nebraska Tourism Conference on October 20-22, 2015, at the Rivers Edge Convention Center in Columbus, NE. The following is a summary of the related conference revenues and expenses of the Commission:

Conference Summary	Totals
Conference Revenues	
Sponsorships	\$35,673
Registrations	\$17,875
Total Revenues	\$53,548
Conference Expenses	
Speaker Fees (Including Reimbursements)	\$106,820
Conference Center Meals and Equipment	\$13,995
Miscellaneous (Awards, Signage)	\$9,583
Lodging (Staff, Commissioners, Speakers)	\$5,940
Staff Reimbursements	\$502
Commissioners Mileage	\$351
Total Expenses	\$137,191
Net Amount	(\$83,643)

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Nebraska Tourism Conference (Continued)

The APA identified certain issues related to the 2015 Tourism Conference and the related Tourism Conference Cash Fund, as summarized below.

a) **Questionable or Excessive Amounts Paid by the Commission**

Certain Conference expenses appeared to be excessive or questionable, as explained in more detail below:

- The Commission paid Mr. Shawn Achor, the CEO and co-founder of GoodThink Inc., an applied research consulting firm, **\$44,000** to speak for an **hour and a half**, from 8:30 a.m. to 10:00 a.m., on October 21, 2015. Given that \$44,000 is greater than the annual salary of over half of the Commission's full-time staff, the APA questions the reasonableness of the speaker's fee. **Attachment A** contains a copy of the speaker agreement.

The \$44,000 fee does not include those additional expenses paid directly to the host hotel for Mr. Achor's lodging and meals, totaling \$114. In violation of the express terms of the speaker agreement, the Commission was charged for three glasses of wine delivered to Mr. Achor's hotel room. However, the Commission worked with the host hotel to comp the related alcohol charges. Page two of the agreement says clearly, "Please note the Commission will not be responsible for nor reimburse you for . . . alcoholic beverages."

In addition, three other speakers at the conference were paid over \$9,000 each for their related speaker fees; none of which spoke for over an hour and a half.

- The Commission also paid \$300 to Dynamic Life Therapy and Wellness, PC, a Columbus, Nebraska, physical therapy clinic, to provide complimentary massages to conference attendees. The invoice noted chair massages were \$100 for three hours.
- It was noted also that Bailey Lauerman, an advertising firm located in Omaha, Nebraska, had committed to sponsoring the conference in the amount of \$7,000. The Commission received only \$6,173 from the firm, however. The difference of \$827 was deducted in order to pay for wine at the conference banquet. Per Commission staff, State agencies cannot purchase alcohol; therefore, Bailey Lauerman paid that cost and later deducted the amount from the original sponsorship pledge.
- The Commission purchased 20 extra meals during the conference with a total cost of \$482. Per discussion with the Commission, additional meals were added to ensure they had enough; however, the number of meals needed should be determined during registration.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Nebraska Tourism Conference (Continued)

b) **Tourism Conference Cash Fund**

The Commission expended \$83,643 in excess of what was brought in from registrations fees and sponsorships for the 2015 Nebraska Tourism Conference. Because the amount in the Tourism Conference Cash Fund was insufficient to cover that shortfall, the Commission had to draw money from the State Visitors Promotion Cash Fund to pay for the additional costs. For example, the Commission paid the \$44,000 speaker fee out of the State Visitors Promotion Cash Fund instead of from the Tourism Conference Cash Fund.

The Commission maintains a Tourism Conference Cash Fund for the purpose of paying conference expenses. Neb. Rev. Stat. § 81-3726 (Supp. 2015) created that fund, as follows:

The fund shall be administered by the commission. All sums of money received from fees from any conference or event held by the commission shall be deposited in the fund. The commission shall use the fund to defray expenses related to any conference or event sponsored by the commission.

The Commission also utilizes a State Visitors Promotion Cash Fund. That fund is established under Neb. Rev. Stat. § 81-3714 (Supp. 2015), which states, in relevant part, the following:

The State Visitors Promotion Cash Fund is created. The fund shall be administered by the commission. The fund shall consist of revenue deposited into the fund pursuant to section 81-3715 and money donated as gifts, bequests, or other contributions from public or private entities. Funds made available by any department or agency of the United States may also be credited to the fund if so directed by such department or agency. The commission shall use the proceeds of the fund to generally promote, encourage, and attract visitors to and within the State of Nebraska, to erect and replace highway tourism markers, to enhance the use of travel and tourism facilities within the state, and to provide marketing assistance grants to communities and organizations.

When Commission expenditures for tourism conferences are not reasonable and necessary, there is an increased risk for the misuse of State funds. Furthermore, the registration fees and sponsorship amounts received by the Commission should be adequate to cover the actual and necessary expenses of hosting a tourism conference. When those proceeds prove insufficient, however, other funds must be utilized to compensate for the extra costs.

We recommend the Commission implement procedures to ensure expenditures for tourism conferences are commensurate with the funds available for hosting such conferences. Those procedures would include creating a budget for the purpose of correlating the overall cost of and the money available to spend on the conferences.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Nebraska Tourism Conference** (Concluded)

Commission Response: The Commission for the past couple of years has received comments and suggestions that the Annual Conference speakers should be nationally recognized or serve a broader base in order to attract more attendees. That was the approach for the 2015 Annual Conference. Key note speaker Shawn Achor who in 2015 was also the keynote for several other national tourism events, such as Wisconsin's Governor's Tourism Conference. The Commission has an established conference committee with two Commissioners serving. Incorporating and promoting local businesses such as Dynamic Life Therapy and Wellness is an opportunity for the event to support local businesses and provide a unique conference experience. The Commission is locked into a rate for meals ordered. Many times there are cancellations, schedule changes and a percentage of meals that the event has to cover. This is the functionality of hosting conferences. Sponsorships for the conference should be receipted for the full amount. Deductions for items should not occur. The Director would not have approved reimbursement for alcohol at the event. Adequate documentation provided and processed through the Commissions accounting division would have prevented this from occurring. Sponsorships are an important component in order to host Commission conferences.

Not all conferences break even. It is expected and anticipated that the Commission's conference expenses short fall cost share to be offset with the Commission's operating cash funds. The Commission believes in the value and importance of providing quality speakers along with educational and networking opportunities to support the growth and enhancement of the state's tourism industry. Many national speakers contacted would not even consider travel to Nebraska due to limited flights and ground travel time constraints. The Commission should have the ability to utilize operating cash funds to assist in defraying the cost for educational conferences and select speakers. Topics covered at conference included, marketing, advertising, social media and technology advancements, state programs, strategic planning, personal growth and development, partnerships and collaborative use of resources. The Commission and the Conference Committee is mindful of the increasing costs and finding the balance to provide affordable registration costs for all attendees. The Commission did accurately utilize the Tourism Conference Cash Fund to defray costs and expenditures associated with the event.

3. **Over-Budget Contracts and Other Issues**

During testing of Commission contracts and related expenses, the APA identified several issues, including contracts that were over budget, not competitively bid out, or not included on the State's database. More details regarding these issues are provided below.

a) Contracts Over Budget

The Commission had no procedures for entering purchase orders against its contracts in the State Accounting System; therefore, the system could not accurately track the actual contract usage or ensure the agency stayed within the established budgeted lines of such contracts.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Over-Budget Contracts and Other Issues (Continued)

At February 29, 2016, the Commission's expenditures under two contracts with Bailey Lauerman exceeded the actual contract amounts by **\$4.4 million**. The over-budget expenditures will continue to increase until those contracts expire or are extended at June 30, 2016. In addition, the Commission never signed any amendments or addendums with Bailey Lauerman to increase the contract award amount.

The following is a summary of those contracts for which Commission expenditures exceeded the contract amount:

Bailey Lauerman Contracts	Contract Term	Annual Budget	Total Order Per Contract Award
Website Development and Services	8/1/2013 through 6/30/2016	\$200,000	\$600,000
Marketing Services	8/1/2013 through 6/30/2016	\$800,000 to \$995,000	\$2,587,500
Total Contracted Three Year Budget Award			\$3,187,500
Amount Paid to Bailey Lauerman from August 1, 2013, through February 29, 2016			\$7,597,566
Amount Paid to Bailey Lauerman Over Contracted Three Year Order Amount			(\$4,410,066)

Note: The historical amount paid to Bailey Lauerman was from the State Accounting System.

It is important to note that the total amount over budget includes only payments directly to Bailey Lauerman, per the State Accounting System. However, the APA observed additional amounts that the Commission paid on behalf of Bailey Lauerman and that firm's staff. The following amounts, which were identified during testing, do not necessarily represent a full listing of all such payments made.

Description	Amount
Lodging Paid Directly by Commission for Bailey Lauerman Staff	\$1,920
ESTO Conference Registration for Bailey Lauerman Staff	\$2,980
Total	\$4,900

In 2013, potential bidders had asked the Commission several questions about the overall budget of the advertising contract RFP and whether it covered all related costs. Based on the Commission's answers, the contract's annual budget of \$800,000 to \$995,000 was to be all-inclusive, as explained below.

RFP Questions	RFP Answers
<i>7. We assume this budget for Scope of Work is exclusive of paid media budgets. Is this assumption correct? In other words, is there a separate budget allocation to pay media outlets, over and above the \$800,000 - \$995,000 "Scope of Work" budget referred to here?</i>	No, there is not a separate budget to pay media outlets. This is the budget that the Commission has allocated for the scope of work.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Over-Budget Contracts and Other Issues (Continued)

RFP Questions	RFP Answers
20. Is the proposed budget of \$800-995K per year intended to cover agency fees? Or, agency services, paid media costs, and all outside production costs?	Yes, the budget is to cover all components, services and production that meet the requirements of this RFP.
26. On page 26, the “media expenditures” budget is listed as \$800,000-\$995,000 annually. Is this the budget for media planning, scheduling, buying, and creating ONLY, or is this the budget for all requirements of the RFP?	Yes, it is the budget for all requirements of the RFP.

Neb. Rev. Stat. § 73-503(1) (Cum. Supp. 2014) requires the following:

All state agencies shall process and document all contracts for services through the state accounting system . . . State agency directors shall ensure that contracts for services are coded appropriately into the state accounting system.

The State Accounting System has established reports, including the Contract Usage Report, which keeps track of the total expenditures made against each contract. However, when purchase orders are not processed against a service contract and entered into the State Accounting System, there is no activity to report. In addition, when bidders do not know the full projected budget for a prospective contract, they may not be able to give their best price.

We recommend the Commission implement procedures for processing purchase orders against the contract within the State Accounting System. When a contract’s award amount is fully utilized, the Commission should have procedures in place to review any potential amendments to the contract.

Commission Response: The contract with Bailey Lauerman did exceed its yearly allocation amount for marketing and advertising. The Commission did have the awarded contracts loaded into the states Contract Usage Report. However, Commission accounting did not draw against the reports. This is being corrected, in partnering with DAS, these items will be in compliance.

b) **Husker Sports Marketing Contract**

The Commission contracted with IMG College, LLC, (IMG) to promote tourism within Nebraska via various types of media before, during, and after Husker sporting events throughout the 2015-2018 athletic seasons. The contract specifically designates the Commission as the contract sponsor, noting that invoices are billable to the Commission. The following amounts are due per the contract.

Contract Year	Amount
2015 - 2016	\$350,000
2016 - 2017	\$360,500
2017 - 2018	\$371,315
Total	\$1,081,815

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

3. **Over-Budget Contracts and Other Issues** (Continued)

Even though the contract was between the Commission and IMG, the Commission paid the \$350,000 for 2015-2016 through the Bailey Lauerman advertising firm on August 6, 2015. As a result, the Commission did not bid out this contract, as required by State statute.

Neb. Rev. Stat. § 81-3713(3) (Reissue 2014) requires the Commission to utilize competitive bidding procedures when awarding advertising contracts. That statute provides the following, in relevant part:

All advertising contracts awarded by the commission concerning travel and tourism shall be based on competitive bids. Contracts shall be awarded to the lowest responsible bidder, taking into consideration the best interests of the state, the quality of performance of the services rendered, the conformity with specifications, the purposes for which required, and the time of completion.

In addition, this contract with IMG was not included in the State's database, as required under Neb. Rev. Stat. § 84-602.02 (3)(a)(i) (Reissue 2014). That statute directs the State's database to include "a copy of each active contract that is a basis for an expenditure of state funds . . ." The statute adds the following:

All agencies, boards, commissions, and departments of the state shall provide to the Department of Administrative Services, in electronic form, copies of such contracts for inclusion in the data base beginning with contracts that are active on and after January 1, 2014.

When its contracts are neither publicly bid nor included in the State's database, the Commission is not in compliance with State law.

We recommend the Commission implement procedures to ensure its advertising contracts are publicly bid and included in the State's contract database, as required by State law.

Commission Response: Commission marketing and advertising activities and contracts are processed through the Commission ad agency, Bailey Lauerman. IMG is the only sole source to contract with regarding Husker Sports. There is not a bidding process that can be utilized and supported currently within state statutes that support a sole source option. The only one way to market and be exposed through Husker Athletics and that is through a contractual agreement with Husker Sports, there is no other competitor.

The Commission recently gathered input from several state tourism agencies. Many responses revealed that every advertising activity in today's business world is not secured through a State RFP process for each activity. Most state tourism agencies spend between 75%-88% of their budgets on marketing and advertising (promotion). A majority utilize Advertising Agencies or Public Relation firms to solicit and secure RFP's

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

3. **Over-Budget Contracts and Other Issues** (Continued)

*internally for the state agency. Several states go further and have legislation that defines advertising and marketing which permits the tourism agency to get an exemption from the state procurement process. Current state legislation addressing advertising procurement procedures originated in 1986. **Source:** Laws 1986, LB 965, § 13; Laws 2011, LB684, § 1; R.S.1943, (2008), § 81-1201.13; Laws 2012, LB782, § 193; Laws 2012, LB1053, § 13.*

For the Commission to stay competitive and be able to conduct business in a timely fashion, consideration should be given to updating the referenced statute as it relates to the advertising bid process in relationship to tourism and updating the statute to adapt to advertising and marketing approaches as they reflect 21st Century markets.

c) **Other Advertising Contract**

The Commission contracted with Nebraska Educational Telecommunications (NET) for \$38,000 to promote tourism within Nebraska via commercials during the Nebraska School Activities Association (NSAA) Championship Broadcasts. The Commission also contracted with Most Valuable Publications for \$22,000 to promote tourism within the 2015 Wisconsin football and basketball programs.

However, the Commission neither competitively bid these contracts, as required by State statute, nor included them on the State's contract database.

Neb. Rev. Stat. § 81-3713(3) (Reissue 2014) requires all of the Commission's advertising contracts to be competitively bid, as follows:

All advertising contracts awarded by the commission concerning travel and tourism shall be based on competitive bids. Contracts shall be awarded to the lowest responsible bidder, taking into consideration the best interests of the state, the quality of performance of the services rendered, the conformity with specifications, the purposes for which required, and the time of completion.

Additionally, Neb. Rev. Stat. § 84-602.02(3)(a)(i) (Reissue 2014) requires all "agencies, boards, commissions, and departments of the state" to submit a copy of any contract that serves as "a basis for an expenditure of state funds" and is active on and after January 1, 2014, to the Department of Administrative Services (DAS) for inclusion in the State's contracts database.

Contractual agreements between State entities are not exempt from either of the above statutory requirements.

When its advertising contracts are not competitively bid or included in the State's database, the Commission is not in compliance with applicable State laws.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

3. **Over-Budget Contracts and Other Issues** (Concluded)

We recommend the Commission implement procedures to ensure its advertising contracts are both competitively bid and included on the State's contract database, as required by State law.

Commission Response: The Commission engaged in program sponsorships with Nebraska Educational Telecommunications (NET) to promote the Nebraska High School Activities Association Championships, there is no other entity that provides such service. There is no bid process for NET. There is no bid process for ad placement within NET programming. The Commission advertises within Big Ten programs which have strong migration attendance to Nebraska events. There is no other entity providing such services. All agreements signed were held either within the Commission's ad agency or the Commission's office. The state's RFP bidding process can take anywhere from 60-90 days which is not conducive to entities within the marketing and advertising private sector, or advertising/market related deadlines. Consideration of statute changes regarding advertising bids should be noted here.

4. **Gifts and Other Benefits from Contractors**

During calendar year 2015, certain vendors and grant award recipients gave Commission employees, Commissioners, and their spouses a variety of gifts and other benefits, meals, alcohol, and event tickets.

At the time of our attestation, neither Commission employees nor Commissioners were required to file a Statement of Financial Interests form with the Nebraska Accountability and Disclosure Commission (NADC) pursuant to Neb. Rev. Stat. § 49-1493(1) (Reissue 2010). Per the APA's discussions with the Executive Director of the NADC, the Commission had not been added to the list of agencies required under Title 4 NAC 002 to make such an annual filing. During the next amendment cycle for the NADC's rules and regulations, however, the question of adding the Commission to that list will be taken under consideration.

At the outset of our attestation, the APA sent confirmation requests to certain contractors and grant award recipients who had received agency funding during the 2015 calendar year. Through those communications, the APA sought to obtain information about any gifts and/or other items of value that had been given to or paid for the benefit of Commission employees, Commissioners, or their family members and affiliated businesses.

Based upon the responses received, the APA identified several meals, drinks, and other items of value provided by grant award recipients or contractors with whom the Commission was doing business. The following table summarizes the gifts received from those vendors or grantees. Due to the nature of the documentation made available to the APA, however, it was impossible

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

4. Gifts and Other Benefits from Contractors (Continued)

to segregate some of the expenses paid for Commission employees from those paid for vendor representatives. In certain cases, therefore, the amounts in the table reflect expenses paid by the vendors for both Commission and vendor employees. It is also important to note that there was no way for the APA to verify independently the items received or their actual value to ensure that the following constitutes an exhaustive and accurate listing thereof.

Vendor or Grantee	Type	Who Attended	Description	Total Amount
Bailey Lauerman	Meals and Drinks	Director and spouse, Deputy Director, Commissioner and spouse, and other Commission employees on different occasions.	Over 35 occasions during which meals and drinks were provided.	\$2,549
Swanson Russell	Meal	Four Commission employees, six Bailey Lauerman employees, and two Swanson Russell employees.	Strategic planning retreat luncheon on January 29, 2015.	\$118
Andy Anderson Photography	Alcohol	Given to Director for Christmas.	Bottle of wine.	About \$15
IMG College	Tickets and Other	Director. Other tickets were given away.	30 Football Tickets, 4 Women's Basketball Tickets, Autographed Volleyball, Autographed Football, and Husker Stadium Print.	Unknown
North Platte/ Lincoln County Visitors Bureau	Meals	Two Commission employees, over 20 journalists, and others.	Several meals were provided as part of the 2015 Travel Writer Tour from May 18-22, 2015. Two Commission employees attended the tour, during which meals were provided.	\$2,609

As revealed in the above table, Bailey Lauerman provided a significant number of meals and drinks to the Director and her spouse, a Commissioner and her spouse, and Commission employees. The APA has described in greater detail below a few of those meal expenditures.

- Bailey Lauerman purchased dinner at Truluck's Seafood, Steak, and Crab House in Austin, Texas, on July 17, 2015. The Director and one Bailey Lauerman employee attended the meal, which cost \$254.88. Earlier the same day, Bailey Lauerman treated the Director to a lunch costing \$109.31 at The Jackalope Bar in Austin, Texas.
- Bailey Lauerman also bought drinks costing \$31.25 at the Chuggin Monkey in Austin, Texas, on July 16, 2015. One Bailey Lauerman employee and the Director were included.
- Bailey Lauerman also bought dinner and drinks costing \$475.50 at the Pok Pok restaurant in Portland, Oregon, on August 25, 2015. Attending this dinner were the Director and her husband, a Commissioner and her husband, the Deputy Director, another Commission employee, and four Bailey Lauerman staffers and one of their family members.

NEBRASKA TOURISM COMMISSION
COMMENTS AND RECOMMENDATIONS
(Continued)

4. Gifts and Other Benefits from Contractors (Continued)

- Bailey Lauerman also purchased a lunch costing \$308 at Southpark Wine and Seafood in Portland, Oregon, on August 23, 2015. The Commissioner, the Director, the Deputy Director, a Commission employee, and five Bailey Lauerman staffers attended this meal.

The above chart also reveals that the Commission received event tickets through its contract with IMG and the Huskers Sports Network. The Commission lacked documentation, however, regarding the ultimate disposition of those complimentary tickets. The Commission was given four tickets to two different Nebraska football games. According to the Director, she used one ticket for each game to gain access to the events in order to do interviews on behalf of the Commission; the other tickets supposedly went unused. In addition, 22 Nebraska football tickets were said to have been given out at the September 12, 2015, Fall Fanfest event. However, no documentation was available to support who actually received any of those tickets.

Neb. Rev. Stat § 49-1492.01(1) provides the following:

Any agency, political subdivision, or publicly funded postsecondary educational institution which gives a gift of an admission to a state-owned facility or a state-sponsored industry or event to a public official, a member of a public official's staff, or a member of the immediate family of a public official shall report the gift on a form prescribed by the commission.

More fundamental yet, maintaining a record of the individuals to whom the Commission gives admission tickets to sporting events or other activities is necessary to ensure that the tickets were utilized properly and not for the unwarranted personal benefit of either those associated with the Commission or others who should not have received them.

The Commission had no policies or procedures governing the acceptance of meals and other items of value from vendors or grant award recipients. Nevertheless, regular socializing between those who are responsible for awarding government contracts and grant awards and the recipients of those awards raises concerns regarding the actual or perceived impropriety of such interactions. In general, employees who negotiate and sign government contracts or grant awards involving large sums of public funds ought not to receive gifts from vendors; likewise, vendors ought not to make valuable bestowals upon public those employees.

Neb. Rev. Stat. § 49-14,101(1) (Reissue 2010) provides the following:

(1) No person shall offer or give to the following persons anything of value, including a gift, loan, contribution, reward, or promise of future employment, based on an agreement that the vote, official action, or judgment of any public official, public employee, or candidate would be influenced thereby:

(a) A public official, public employee, or candidate;

(b) A member of the immediate family of an individual listed in subdivision (a) of this subsection; or

(c) A business with which an individual listed under subdivision (a) or (b) of this subsection is associated.

NEBRASKA TOURISM COMMISSION
COMMENTS AND RECOMMENDATIONS
(Continued)

4. Gifts and Other Benefits from Contractors (Continued)

Subsection (2) of that same statutes adds the following:

No person listed in subsection (1) of this section shall solicit or accept anything of value, including a gift, loan, contribution, reward, or promise of future employment based on an agreement that the vote, official action, or judgment of the public official, public employee, or candidate would be influenced thereby.

Per subsection (3) therein, a violation of either of the above two prohibitions is punishable as a Class III misdemeanor.

The APA is unaware of any credible allegations that the actions of Commission employees, Commissioners, or their family members in receiving or making gifts, as discussed in this comment, have given rise to a violation of § 49-14,101. Regardless, such activity could easily be misconstrued, leading to accusations of impropriety.

Of similar concern is Neb. Rev. Stat. § 49-14,101.01(1) (Reissue 2010), which provides the following:

A public official or public employee shall not use or authorize the use of his or her public office or any confidential information received through the holding of a public office to obtain financial gain, other than compensation provided by law, for himself or herself, a member of his or her immediate family, or a business with which the individual is associated.

Furthermore, a January 21, 2010, NADC staff opinion addressed to the Executive Director of the Nebraska Corn Board explains that incentives received from vendors, such as admission tickets to sporting events, “are State property and must be treated as such.” In providing that guidance, the staff opinion emphasizes the following:

[I]ncentives such as tickets . . . may be accepted only with the understanding that members of the . . . [governmental entity] and their families and staff may not treat those tickets as gifts for themselves.

The NADC staff opinion is important in light of § 49-14,101.01(2), which states the following:

A public official or public employee shall not use or authorize the use of personnel, resources, property, or funds under his or her official care and control other than in accordance with prescribed constitutional, statutory, and regulatory procedures or use such items, other than compensation provided by law, for personal financial gain.

As with the other statutory prohibitions cited herein, a violation of § 49-14,101.01 is punishable as a Class III misdemeanor.

When Commission employees, Commissioners, or their family members receive gifts from vendors or grant award recipients, there is an increased risk for official impropriety – or, at the very least, the appearance thereof. Moreover, while it may be argued that the distribution of sporting event tickets was used to advance the mission of the Commission, weak controls over that process created a high risk for abuse, if not a possible violation of State law.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

4. Gifts and Other Benefits from Contractors (Concluded)

We recommend that all Commission employees, Commissioners, and their spouses refrain from accepting gifts, including meals and admission to events, from vendors and other grant award recipients. If attendance at certain events is necessary to promote the Commission's official activities, policies and procedures should be developed to ensure that the admission tickets for such attendance are utilized appropriately. The Commission should also keep a record of those to whom it gives complimentary admission tickets to sporting or other events.

Commission Response: The Commission does have signed Code of Conduct forms for all Commissioners. The information presented by Bailey Lauerman regarding several meals and drinks is inaccurate. If at any time mutual parties were together within the same facility, all Commission staff and/or any Commissioner has always offered to pay for their own meals or drinks should there have been any. It was not mentioned or presented to the Commission Director or any other Commissioner present that a meal(s) being covered was anything more than a kind offer or that any such occurrence would be submitted to the Commission as a reimbursement. The Commission would not have approved such reimbursement, nor reimburse Bailey Lauerman for spouse/family member expenses.

Swanson Russell provided a working lunch during a team building strategic planning session for all members in attendance.

IMG College tickets were used for the 2015 Fanfest event. Thirty football tickets were given away via a drawing during the event. More than 163 registered for the drawing, the Commission has the list of those registered in the Commission's database. Fifteen pairs of tickets were given away during Fanfest. Two Husker Basketball tickets were used to conduct Commission interviews as scheduled. Any and all autographed items and other related items were donated to the Nebraska Travel Association Annual Silent Auction held during the annual Nebraska Tourism Conference – October 2015. Commission staff or family members did not receive tickets, gifts or access to games as a result of the IMG College contract. The Commission Director must have an admittance ticket to any Husker sporting event to conduct interviews promoting Nebraska Tourism and visitnebraska.com. The Commission Director arrived in a timely fashion as instructed to complete the interviews and left the events after completion and discussions with press and IMG staff concluded.

Andy Anderson bottle of wine was donated for a Commission holiday gift basket drawing.

North Platte/Lincoln County CVB received a marketing grant from the Commission. Neither the Commission Director nor members of the grant selection committee were in attendance during the 2015 Travel Writer Tour.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

5. Employee Moving Expenses

During the 2015 calendar year, the Commission paid \$18,511 to relocate an existing employee from Sidney, NE, to Kearney, NE, a distance of roughly 217 miles. When asked why this move was necessary, the Commission explained that the particular employee needed to be more “centrally located” within the State. The related expenses paid by the Commission are outlined below.

Description	Amount
Commercial Movers	\$8,091
Realtor's Commission on House Sold	\$8,000
Closing Cost Fees (Appraisal, Title, Other)	\$1,980
Employee Mileage (Closing and Moving)	\$380
Utility Connection Fees	\$60
Total	\$18,511

The APA recognizes that all the expenses noted above are allowable per State policy; however, the nature of the move, the items paid, and the total amount paid, brings into question whether or not these costs were truly reasonable and necessary for the function of the Commission and for the State of Nebraska. Sound business practice requires that all expenditures be not only reasonable and necessary for the Commission’s function but also a prudent use of taxpayer dollars.

The Commission did not follow State policies regarding executing a prior written agreement outlining what exactly is to be reimbursed. Additionally, \$269 was improperly recorded in the accounting system as non-taxable income, instead of as taxable income for employee W-2 reporting purposes.

The Nebraska State Accounting Manual, AM-005, General Policy #10, states the following:

Payment of moving expenses shall be made only with the prior written approval of the agency head. The written agreement shall include a listing of the items that will be reimbursed.

That same policy also outlines which moving costs should be reported as taxable income, as well as which costs should be reported as non-taxable income, for W-2 reporting purposes.

When Commission expenditures are not in accordance with State policies or are reasonable and necessary, there is an increased risk for the loss and/or misuse of State funds. Furthermore, when employee income is not properly recorded in the accounting system, employee W-2’s will not be accurate, resulting in potential tax consequences.

We recommend the Commission implement policies and procedures to ensure that all Commission expenditures are reasonable, necessary, and in accordance with State policies. Furthermore, we recommend that all income related to employee moving reimbursements be properly recorded in the accounting system.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

5. **Employee Moving Expenses** (Concluded)

Commission Response: State policy permits and allows for payment of a staff member and costs associated with it regarding relocation. Due to the retirement of the Commission's centrally located staff member an opportunity opened up to relocate a current Commission Field staff member to a more central location. The cost to move the Commission employee was more cost effective than hiring a FTE for the central region. Moving is a hardship on the staff member as well. The staff member moved has been with the Commission for more than ten years. The move was approved in an email but not in a formal letter. The move was initiated by the Director as a cost savings mechanism.

6. **Control Environment**

An internal control environment conducive to fair and complete financial reporting requires an adequate segregation of duties to ensure no one individual is able to process an accounting transaction from beginning to end. Such internal control environment should also feature an effective monitoring process, including a review of processes related to policies, procedures, and accounting functions of the Commission.

For the following reasons, the Commission's internal control environment was not conducive to fair and complete financial reporting:

- The Director exercised unilateral control, including approval authority, over most day-to-day business transactions, and the Commissioners were not adequately involved in the overall operations. Per Neb. Rev. Stat. 81-3711(8) (Supp. 2015), one of the Commission's duties is to "[a]uthorize the expenditure of funds and contracting of expenditures to carry out the act[.]"
- One Commission employee was responsible for all payroll-related functions, and no one reviewed the final payroll reports to ensure the payroll was processed appropriately and no unauthorized changes were made.
- The Commission does not have a documented review process for changes made to employee information, including pay rates in Workday, the State's human resource application.
- The individual who originally received money on behalf of the Commission, as well as prepared receipts for those funds, also approved both the deposit batches in the accounting system and the State Treasurer Deposit document. There was no separate reconciliation of the original receipts to the State Treasurer Deposit document to ensure that all funds received were deposited appropriately. Additionally, checks were not restrictively endorsed immediately upon receipt.
- One Commission employee was responsible for all functions related to capital asset processing, including additions, deletions, and maintenance of capital assets in the accounting system.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

6. **Control Environment** (Concluded)

- More than one Commission employee was involved in the accounts payable process; however, the documentation on file was insufficient for the reviewer to know exactly what expenses were being paid.

Without an internal control environment conducive to fair and complete financial reporting, there is a significant risk for improper transactions to occur and remain undetected.

We recommend the Commission implement procedures to ensure an adequate oversight of all its accounting functions. This includes ensuring an adequate segregation of duties, sufficient documentation of expenditures, and a system of reviews or monitoring of the related functions is in place.

Commission Response: The Commission Director shares multiple spreadsheets and state accounting Budget Status Reports, at all Commission Finance Committee meetings and the Budget Status Report at all full Commission meetings. Nebraska State Statute 81-3711(8) is a very broad statute relating to such issues. Commission meetings discuss marketing/advertising and Commission sponsorships/programming and partnerships. Minutes are available on the Commissions website visitnebraska.com/industry.

The Commission will be partnering with the Department of Administrative Services (DAS) to assist the agency with segregation of duties in regards to accounting/financial/budgeting and human resource matters to begin a more tightened approach to fiscal management and accountability.

7. **State Visitors Promotion Cash Fund Budget**

The Nebraska Legislature makes appropriations to agencies each fiscal year, which is an authorization to make expenditures and incur obligations within the established fiscal limits. For the fiscal year ended June 30, 2015, the Legislature had appropriated a total of \$5,472,524 to the Commissions State Visitors Promotion Cash Fund.

However, the Commission exceeded this appropriated authority for fiscal year 2015 when including those expenditures obligated in fiscal year 2015 that were paid in fiscal year 2016. The following is a summary of the cash funds amounts:

Description	Amount
Available Remaining Cash fund Allotment at June 30, 2015	\$55,091
Payroll Obligations at June 30, 2015	(\$39,252)
FY 2015 Obligations Paid in FY 2016 (J9 or P9) through February 29, 2016	(\$805,544)
Net Total	(\$789,705)

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

7. **State Visitors Promotion Cash Fund Budget** (Concluded)

In addition, the agency submitted a fiscal year 2016 budget deficit request to the Appropriations Committee for the State Visitors Promotion Cash Fund; however, this request was made prior to a formal approval by the Commissioners. As a result, the Appropriations Committee expressed several concerns, including those relating to the budget of the Commission, in a formal letter to the Commissioners. The APA has included a copy of this letter as **Attachment B**. This letter included information on the Commission's spending growth and indicated the possibility of requiring the agency to work with the Department of Administrative Services for administrative support.

Neb. Rev. Stat. § 81-3711(2) (Supp. 2015) requires the Commission to prepare and approve a budget.

As a result, the Commission was not in compliance with either the spending limitations established by the State Legislature or its own approved budget, as required by law.

We recommend the Commission implement procedures to ensure it operates within the spending limitations established by the State Legislature and to ensure that a final budget is prepared and approved in accordance with State law.

Commission Response: In June of 2015, the Nebraska Legislature approved that there be no carryover of any previously appropriated funds. For the Commission, this caused a deficit situation due to the nature of the Commission's already awarded Marketing and Community Impact Grants. Grant reimbursement cycles were not in sync with the Legislature's action to not permit for funding carryover, causing a financial shortfall for the Commission. The Commission worked with State Accounting on a regular basis to redistribute funds to adhere to the Legislature's decision and to keep the Commission's budget in compliance. The budget discrepancy is the result of several accounting and miscoding errors. The Commission has worked closely with State Accounting to ensure that all state aid will be allocated as designated, during the 2015-16 and 2016-17 designated year(s).

8. **Tourism State Aid**

The Nebraska Legislature earmarked the following amounts from the State Visitors Promotion Cash Fund for fiscal years 2015 and 2016:

- 2013 Neb. Laws LB 195, § 254, designated \$102,600 of fiscal year 2015 appropriations to be used only for State Aid.
- 2015 Neb. Laws LB 657, § 258, designated \$602,600 of fiscal year 2016 appropriations to be used only for State Aid.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

8. **Tourism State Aid** (Concluded)

Accordingly, the Commission has established two grant programs to assist with State aid; however, the Commission lacked procedures for ensuring those required earmarks were met, as outlined below. Therefore, the Commission did not meet the established restrictions.

Fiscal Year	State Aid Cash Fund Earmark	State Aid Amount Paid from Cash Fund	Variance
2015	\$102,600	\$6,000	\$96,600
2016	\$602,600	\$0	\$602,600
Totals	\$705,200	\$6,000	\$699,200

The amount paid in fiscal year 2016 was recorded through February 29, 2016, within the State Accounting System. In addition, \$40,000 had been improperly coded to government aid that was not included in the aid amount above. The APA also observed that, during the current Legislative session, the Appropriations Committee recommended allowing the agency to spend part of the earmarked funds on cash fund operations.

The Commission also failed to track its grants to ensure sufficient appropriations were available to pay the awarded grants, and those funds were properly encumbered at the end of the year. Because of this, the Commission received a “temporary” appropriation increase in order to manually post grant encumbrances in the accounting system.

Sound business practices and good internal controls require that procedures be in place to monitor Commission expenditures to ensure appropriation restrictions are adhered to, and sufficient appropriations are available to pay awarded grants or State aid.

We recommend the Commission implement procedures to ensure the annual budget includes appropriate State aid to meet the requirements of Nebraska Legislature.

Commission Response: The Commission encountered several coding errors and P9 encumbrance allocations which delayed state aid distribution. The Commission worked for several months in cooperation with State Accounting to address the issues. The Commission will continue working with State Accounting in a partnership that will address these issues and develop a stronger financial accountability system.

9. **Tourism Grant Procedures**

As identified in the previous comment, the Commission provides marketing assistance grants to promote tourist attractions and activities in Nebraska. The Commission also offers Community Impact Grants to help secure national caliber events in Nebraska through advertising, marketing, and promotional efforts directed at a nationwide audience. The purpose of these grant programs is to attract out-of-state visitors to, as well as to generate favorable national or international press coverage for, Nebraska.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

9. **Tourism Grant Procedures** (Concluded)

During our review of the Commission's grant procedures, we tested four grant awards and noted the following:

- For four grants, the Commission did not have judge's scorecards on file to support the ranking of grant applications. The scoring had been summarized by the agency.
- For two grants, we were unable to verify the applications were received prior to the application deadline because the applications were not dated when received, or the postmark date was not documented.
- For one grant, the advertising paid for with grant funds was not in accordance with the Commission's grant program guidelines of being directed at an audience 250 miles or more away from the event being promoted. The event being promoted was held in Omaha, and \$23,280 in grant funds was used to advertise on Omaha-area radio stations.

An additional \$582 was used to advertise in a Council Bluffs, Iowa, newspaper, "The Daily Nonpareil," which does not appear to have a circulation that extends at least 250 miles beyond Omaha.

Good internal controls and sound business practices require the Commission to maintain grant award documentation for the following purposes: to support the scoring and ranking of grant applications; to record that time-sensitive material is dated when received or postmarked; and to ensure procedures are in place for verifying that grant funds are used in accordance with program guidelines.

Without documentation to support the scoring and ranking of grant applications, there is an increased risk that applicants may not be judged fairly or consistently. Also, failure to date time-sensitive materials when received could result in the selection of an ineligible grant recipient. When grant funds are not used in accordance with program guidelines, moreover, there is an increased risk that the purpose of the grant program will not be fulfilled.

We recommend the Commission implement procedures to ensure grant scoring documentation is maintained, all time-sensitive materials are dated when received or postmarked, and grant program guidelines are observed.

Commission Response: It is not currently, nor has it ever been, within procedure of the Commission to accept grant applications after the required submission deadline. To provide backup documentation of this fact, the Commission will implement proper procedures to ensure all time-sensitive materials are date stamped when received or postmarked. The Commission will also implement procedures to archive all scorecards of the review committee members. Since the passing of LB 449, effective July 1 of 2015, the Commission is in compliance of the bill and continues to evolve the guidelines of the new Community Impact Grant program to fit within the bill requirements and to ensure applicants can plan their projects within accordance of the guideline requirements.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

10. Travel Testing

The Commission's staff, including the Director, participated in several in-state conferences, photo shoots, and out-of-state trips during the 2015 calendar year. Among the related travels were the following:

Date	Travel Location
April 16-18, 2015	FEI World Cup Committee - Las Vegas, NV
June 2-10, 2015	Photo shoot trip across Nebraska
July 14-18, 2015	Destination Marketing Conference - Austin, TX
August 22-26, 2015	ESTO Conference - Portland, OR
Oct. 20-23, 2015	Tourism Conference - Columbus, NE
Oct. 27 - Nov. 1, 2015	FEI World Cup Committee - Lyon France

The APA selected 17 documents with travel-related expenses for testing and noted several issues, including the following:

a) Unreasonable or Improper Travel Costs

The Commission paid \$12,641 for Bailey Lauerman staff to attend the Educational Seminar for Tourism Organizations (ESTO) conference in Portland, Oregon, on August 22-26, 2015. Of the total costs paid, \$9,661 was reimbursed to Bailey Lauerman for salary expenses of \$5,520 and travel expenses of \$4,141, and an additional \$2,980 was paid directly to ESTO for Bailey Lauerman's conference registration fees. The APA questions why it was necessary for the Commission to cover the salary and travel costs for the contractor's staff to attend such a conference. Additionally, there was no documented prior approval from the Commission for the Bailey Lauerman staff's attendance.

As with the other Bailey Lauerman invoices tested, the Commission did not obtain or maintain adequate documentation to support the actual amounts reimbursed; therefore, the APA requested that documentation directly from Bailey Lauerman. Several issues were identified with the documentation received for attendance at the ESTO Conference in Portland, Oregon, including the following:

- The Commission reimbursed Bailey Lauerman \$320 for one of the contractor's employees to stay in a Portland hotel room on August 21, 2015; however, the employee did not arrive in Portland until August 22, 2015. Consequently, the Commission paid \$320 for an unoccupied hotel room on the previous night. Although admitting this hotel billing was in error, Bailey Lauerman failed to take corrective action, and the mistaken charge was presented to the Commission for payment.
- Bailey Lauerman staff did not stay at the conference hotel, so their hotel costs far exceeded those of the Commission staff who did. The two hotel rooms for Bailey Lauerman staff cost \$320 and \$412 per night, including taxes, which is much greater than the Federal General Service Administration (GSA) rate of \$173. The Commission staff rooms at the conference hotel were \$174 per night, plus taxes.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

10. **Travel Testing** (Continued)

- Bailey Lauerman staff claimed two breakfasts on August 26, 2015, for \$30 and \$14, making a total cost of \$44. No documentation was submitted to support these or other expenses, totaling \$284, for meals, parking, and tips during the conference.

It was noted also that, during the photo shoot trip, the Commission purchased 18 rooms for two nights at the Bassett Lodge, in Bassett, Nebraska, for the photo shoot team. Per available documentation, however, the APA determined that two people had already returned home and a third room was for “equipment.” According to the Commission, the photo equipment needed to be secured in a temperature-controlled environment; however, the APA noted that the photographers and crew members all had individual rooms, so it appears that it would have been reasonable for them to have kept their equipment in their own rooms.

b) Mileage Reimbursements

Three mileage reimbursements exceeded the cost of taking the most direct routes, as calculated by the APA using the details found on Google Maps, plus a 10% variance.

- One reimbursement for travel across Nebraska during the photo shoot claimed 2,292 miles. The APA recalculated the mileage using Google Maps. Even with a 10% variance, a discrepancy of 345 miles was noted – which amounts to an apparent excess payment of \$198.
- One reimbursement for travel from Lincoln to Kearney and back claimed 319 miles; however, based on the documentation provided, the APA calculated only 287 miles. The variance of 32 miles appears to have resulted in an excess payment of \$18.
- One reimbursement for travel from Lincoln to Omaha and back was for 138 miles. Based on the documentation provided, however, the APA calculated only 123 miles. The variance of 15 miles appears to have resulted in an excess payment of \$9.

c) Commission Meal Reimbursements

The APA identified several issues pertaining to the reimbursement of meal costs to Commission staff, including the Director.

- One reimbursement was for the Director’s meals during a trip to Lyon, France, for the FEI World Cup steering committee meeting on October 27, 2015, through November 1, 2015. The average GSA rate for travel to France was \$87, but the Director claimed an average of \$110 per day. The Director had daily meal expenses, totaling \$264 and \$293, on back-to-back days.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

10. **Travel Testing** (Continued)

For that same trip, six meal receipts submitted for reimbursement included only the credit card receipts, lacking details for what was purchased. Although the Director wrote what was purchased on these receipts, there was no way to verify if the purchases were reasonable, even after reviewing on-line menus for the restaurants listed.

- One reimbursement was for meals claimed on the Director's trip to Las Vegas, Nevada, in April 2015. The APA noted that on April 17, 2015, \$111 was claimed for breakfast, lunch, dinner, and "meeting food," which appears unreasonable. The GSA rate for meals was \$71.

In addition, two receipts submitted were credit card receipts only and did not itemize the purchases. Again, the Director wrote what was purchased on the receipts; however, the APA could not attempt to verify reasonableness for one of the two receipts because there was no on-line menu for the "Casino Bars" where the purchase was made.

- One meal reimbursement was for a Commission staff member who worked at the National Western Stock Show, in Denver, Colorado, on January 25, 2015. The only support for that \$14 reimbursement request was handwritten receipt on a blank piece of paper.

d) Other Travel Issues

The APA identified other issues with the Commission travel reimbursement processes, including the following:

- Five travel expense reimbursement documents were not completed correctly because they did not include start/stop times or the vehicle license number, as required by State statute.
- Lodging expense for the Tourism Conference in Columbus, Nebraska, during October 2015 was billed at a rate of \$100 per night; however, the GSA rate for lodging in Nebraska is \$89 per night. As the entity responsible for arranging the conference, the Commission should have negotiated a room rate in compliance with the GSA rate. The difference of \$11 for each of the 59 rooms over the length of the conference resulted in a \$649 excessive lodging expense.
- One lodging reimbursement included \$37 for sales tax paid, which could have been avoided if the lodging has been direct billed to the State.
- One expense reimbursement for the Director was not reviewed or approved by a supervisor or someone with knowledge of the Director's responsibilities and activities. The reimbursement included a meal and mileage, totaling \$195, for July 1-2, 2015.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS
(Continued)

10. Travel Testing (Continued)

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

Whenever any state officer, state employee, or member of any commission, council, committee, or board of the state is seeking reimbursement for actual expenses incurred by him or her in the line of duty, he or she shall be required to present a request for payment or reimbursement to the Director of Administrative Services not later than sixty days after the final day on which expenses were incurred for which reimbursement is sought. Each request shall be fully itemized, including the amount, date, place, and essential character of the expense incurred.

When reimbursement is requested for mileage by automobile, air travel by commercial carrier . . . 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. When reimbursement is requested for mileage by automobile, the motor vehicle license plate number, the total miles traveled, and the rate per mile being requested shall also be shown on each request.

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

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 regardless of the fact that one or more persons are transported in the same motor vehicle. Reimbursement on such requests shall be computed based on the rate established by the Department of Administrative Services. The department may establish different rates based on whether the personal automobile usage is at the convenience of the agency involved or at the convenience of the state officer or employee, as previously agreed upon by the officer or employee and the agency involved. Funds expended for parking may be requested in addition to mileage.

Nebraska State Accounting Manual, AM-005, Travel Expense Policies, Section 4, states the following, in relevant part:

Sales to the State of Nebraska and its agencies are exempt from Nebraska sales, use and lodging tax. Therefore, if in-state lodging expenses are directly billed to the agency, the agency should present a completed copy of Form 13 (Nebraska Resale or Exempt Sale Certificate) to the lodging establishment.

Nebraska State Accounting Manual, AM-005, Travel Expense Policies, Section 5, states the following, in relevant part:

Under our accountable plan, the Internal Revenue Service requires employees to substantiate the cost for travel, lodging, meals, and other expenses. To be reimbursed, the expense must be a necessary expense, incurred in the line of duty, reason/purpose of the expense must be clearly stated, all start/stop dates and times must be recorded, and the amount of the expense must be substantiated.

* * * *

Such request must be made not later than sixty days after the final day on which the expenses were incurred for which reimbursement is sought.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

10. **Travel Testing** (Continued)

Nebraska State Accounting Manual, AM-005, Travel Expense Policies, Section 6, states the following, in relevant part:

Agencies are responsible to see that all submitted claims for food/meals are adequately substantiated. Unsubstantiated food/meals should not be reimbursed. Receipts are required unless the cost of the food/meal is under \$5.00.

Nebraska State Accounting Manual, AM-005, Travel Expense Policies, Section 8, states the following, in relevant part:

*a. . . 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.*

* * * *

*c. In the absence of **detailed** receipts supporting an employee's claim, State Accounting will require a **written** acknowledgment that after-the-fact documentation will be provided. This documentation may be a copy of:*

- Cancelled check;*
- Charge card slip and signed written explanation; or*
- Subsequently acquired receipt and signed written explanation.*
- If receipts have been lost, or where a receipt was not provided (such as when only one meal receipt is provided per table), the employee should create and present an affidavit.*

This policy is for the convenience of the agency and the employee. The absence of after-the-fact documentation may necessitate the discontinuation of this process and the subsequent inability to reimburse employees when receipts are not available.

The GSA per diem rates provide guidance as to how the cost of State employee meals should be broken down between breakfast, lunch, dinner, and incidentals. The Department of Administrative Services recommends State agencies utilize the GSA per diem standards as a reasonable guideline.

A good internal control plan and sound business practices include procedures to ensure travel costs incurred by, and reimbursed to, employees are reasonable, necessary, and supported by adequate documentation.

When amounts reimbursed are not reasonable and necessary or lack adequate documentation, there is an increased risk for the loss or misuse of State funds.

We recommend the Commission implement procedures to ensure adequate documentation is obtained and maintained to support agency expenses. Such procedures should include monitoring of expenses to ensure they are reasonable and necessary and in compliance with relevant State statutes and policies.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

10. **Travel Testing** (Continued)

Commission Response: Educational conferences are an important part of the Commission's ability to stay on top of national trends and industry issues. Representation and having a state presence is also a very key component when it comes to demonstrating state support to international and national officials regarding events.

- a) *The ad agency of Nebraska Tourism for at least the past 10 years has historically, attended the ESTO National Conference. During the conference the representing teams have opportunities to attend breakout sessions and cover more ground regarding networking and research, which assist in the debriefing process and Commission's strategic planning process. The ad agency time and cost has historically been billed to tourism. The Director's travel request is approved by either the Commission Chair or Treasurer with a minimum of 60 days' prior notice. Bailey Lauerman arranged for all their travel and room reservations. The discrepancy is a result of a reserved room not cancelled. All rooms were sold out at the hosting venue when Bailey Lauerman made room reservations.*

The Commission Director is not an expert in the field of commercial technology, filming equipment, drone usage, video and commercial camera items, should a contractual participant state that items need to be secured and stored in a separate room, it was adhered to. The rooms in question were very small and the equipment very large. Several components of the shoot including equipment was kept in secured vehicles outside.

- b) *Mileage reimbursements sometimes are not accurate with Google Maps. Many times Google Maps takes the driver on a longer route which does not adhere to time constraints or the travel pattern of the driver. In addition, several times Commission staff members are encouraged to utilize their time to visit surrounding areas and make stops at Nebraska Passport stops and to meet with members of the industry. During the Phase 5 photoshoot, the vehicle was used for more than just imagery and video. It was used to run errands, shuttle talent, scout locations which added additional miles than what Google Maps could have tracked.*
- c) *State Accounting states that GSA rates "may" be utilized not "shall" be utilized. It is provided as a guideline. Overage can occur but consideration should be made to not be excessive. It is very difficult to understand the exchange rate between the Franc, Euros and U.S. currency in dining establishments to which the menus are in French with no English language support. The Meal costs claimed were very close to the GSA recommendation. Commission staff received on April 1, 2016 copies of all GSA suggested guidelines for future use. Contract agencies Bailey Lauerman and Swanson Russell received on April 12, 2016 copies of the GSA recommendations. In addition, many times detailed receipts are not available. The Commission is currently considering the concept of using cell phones to record images of meals, hotel gratuities and menus to assist in providing stronger documentation for expense reimbursements.*

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

10. Travel Testing (Concluded)

- d) *The Nebraska Tourism Conference host town submits an application and bid to host the event. This includes room rates that are locked in at the lowest possible rate. Director travel request and time sheets are approved by the Commission's Chair or Treasurer at each meeting.*

In the Nebraska State Accounting Manual, pages 19-22 it breaks down the 2016 GSA per diem standards and rates. Again, this is a suggested guideline that agencies may use versus shall use. These pages were distributed to Commission staff on April 1, 2016 and to contract holders April 12, 2016, for future reference.

11. Other Expenditure Issues Including Lack of Documentation

During testing of Commission expenses for the 2015 calendar year, the APA identified weaknesses other than those addressed already herein. Those additional weaknesses are described below.

a) *Lack of documentation*

The Commission failed to obtain and maintain adequate supporting documentation, including itemized invoices and receipts, for a number of its financial transactions.

For example, Bailey Lauerman submitted invoices to the Commission for work completed; however, those documents lacked sufficient details to allow the Commission to determine with certainty the services provided. The following invoice was on file at the Commission to support its \$86,523 payment to Bailey Lauerman on August 6, 2015.

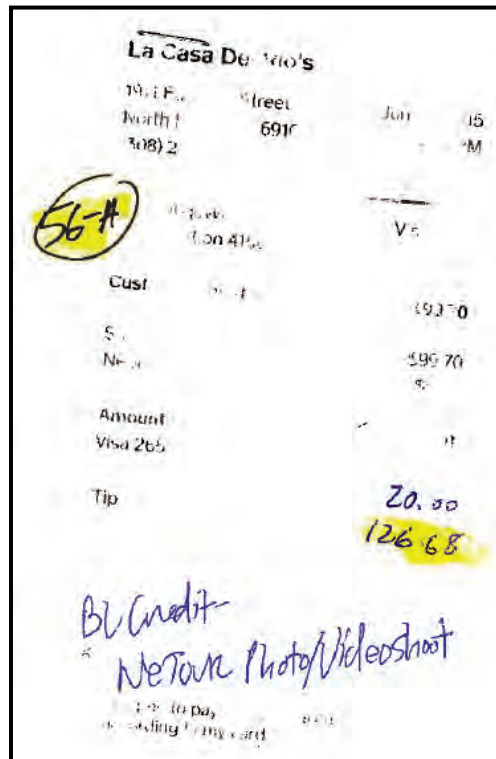
Nebraska Tourism Commission Attn. Kathy McKillip, Executive Director 301 Centennial Mall - South 1st Floor, Box 98907 Lincoln, NE 68509-8907	Invoice Date July 29, 2015 Invoice Number P57427 Product NATIONAL MARKETING CAMPA. Contract Number: #57394 04
<hr/>	
Job	(153400) SCENARIO PHOTOGRAPHY & VIDEOGRAPHY- PHASE FIVE
Work completed to date	
<hr/>	
Project management	\$ 7,636.00
Creative/design	5,209.50
Music composition/sound design	1,092.50
Photo retouching	322.00
Photography coordination	4,381.50
Photoshoot	29,095.00
Photography	30,579.05
Lone River Productions - Andy Anderson	
Audio/video production	3,000.00
Anderson Productions	
Travel expenses	5,207.79
Craft services, hotel accommodations, mileage, materials, supplies, and miscellaneous travel expenses related to preparation and execution of the photo and video shoots. For Rich Claussen, Mike Weitz, Ron Sack, Matt Emodi, Nebraska Tourism talent, production crew, and client who were present at the various locations throughout the state from May - June.	
<hr/>	
Subtotal Amount	86,523.34
Sales tax	0.00
<hr/>	
Invoice Total	\$ 86,523.34
<hr/>	

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS (Continued)

11. Other Expenditure Issues Including Lack of Documentation (Continued)

Because the Commission did not obtain any supporting documentation, the APA requested documentation directly from Bailey Lauerman to support the above costs. A review of the documentation received revealed that a number of unreasonable expenses were charged to the Commission, including charges for alcohol, cigarettes, cash withdrawals, and other questionable items. Moreover, Bailey Lauerman lacked receipts to support several of the charges, or many of the receipts were so illegible that the information had to be handwritten. The following is an example of one such receipt:



We also noted a lack of supporting documentation for the other expenses paid by the Commission for the following: 1) television and website advertising; 2) photography services as part of the Millennial photo shoot in June 2015; and 3) three payments to Swanson Russell, a Nebraska advertising and marketing communications firm, for various services.

When expenses billed lack adequate documentation, there is an increased risk for the loss or misuse of State funds.

We recommend the Commission implement procedures to ensure adequate documentation is obtained and maintained to support expenses. Such procedures should include a review of expenses to ensure they are reasonable and necessary, as well as accurately calculated.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

11. **Other Expenditure Issues Including Lack of Documentation** (Continued)

Commission Response: All Commission invoices are presented in a process of accounting review. Upon being received they are coded, and prepared for the pre-audit process. Receipt/invoice documentation review should occur on the front end prior to being posted or approved by the Director of the Commission. The general invoices previously being provided by Bailey Lauerman and other contractual agreements is historically more documentation that has been received by the tourism division or Commission. The Commission will assist upon stronger documentation when seeking reimbursement. Bailey Lauerman conducts an RFP process internally for all advertising buys, including; print, broadcast, photography, videography, web, co-ops and social to acquire the best rates possible. National packages are different and complex versus regional, local and even in-state buys.

b) Prepaid Expenses

The Commission prepaid advertising placements for various website and television ads through Bailey Lauerman. Of the two prepayments selected for testing, one was for advertising placements on various websites, such as Google, TripAdvisor.com, etc., for \$44,410, and the other was for television advertising spots broadcast in the surrounding states between April 27, 2015, through May 31, 2015, for \$269,328.

The APA tested the actual television ad spots that ran, noting invoices totaling \$261,933. Therefore, the prepaid amount exceeded the actual amount owed by \$7,395. The APA also tested a Bailey Lauerman credit invoice of \$3,503 for advertising spots that never ran between May 9, 2015, and May 31, 2015. The APA attempted to recalculate the refund and noted that one of two vendors tested had a variance of 57 spots paid for but not run. However, only 37 spots were refunded, for a variance of 20 spots. Bailey Lauerman provided the following response to the APA's questioning of the variance:

We purchase shows and/or networks by GRP's (gross rating points). This is basically the number of impressions. For example:

1. If we purchase 4 spots on HGTV from 6p-12a for a 1.4 GRP and they miss those 4 spots, they can offer to make up those GRP's in the same show or better. They could give us a prime time show at 7p and 1 spot could deliver the same GRP's as the 4 during the 6p-12a time. Because the 7p show would be better, we would take that make good offer and get 1 spot for the 4 that missed. Even though it's less spots it would still be the same impressions.

2. Other times, same as above, they will give us a better network to make up the GRP's. With TV/cable it is not always a 1:1 make good ratio. For instance, HGTV has a more GRP's than USA Network. So if we missed spots on USA and they offered to make them good on HGTV we would get less spots but more impressions.

So the bottom line is that the buy was reconciled for the GRPs and the refund to Nebraska Tourism Commission is the monetary difference between what was purchased and what actually ran.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

11. **Other Expenditure Issues Including Lack of Documentation** (Continued)

Despite this explanation, neither Bailey Lauerman nor the Commission provided documentation to explain the variance of 20 spots or to show that any reconciliation was actually performed.

Having been hired to direct the Commission's advertising, Bailey Lauerman could reasonably be expected to have made the prepayments for the advertisement. The Commission should then have made the final payments once the advertisements had actually run.

Nebraska State Accounting Manual, AM-005, General Policies, Section 4, Prepayments, states the following:

Though prepayments are not illegal, per se, they are in conflict with the normal claims process since the State has given up assets in anticipation of goods or services being rendered at a later date Since the potential for loss to the State is greater under prepayment situations, extreme care should be exercised and a conscious effort should be undertaken to minimize prepayments at the agency level.

A good internal control plan and sound business practices require procedures to ensure that adequate supporting documentation for expenses is on file.

Without adequate documentation to support that prepaid amounts are reconciled to actual expenses incurred, and full refunds are received when due, the Commission cannot be sure that its expenditures are proper, causing an increased risk of loss or misuse of public funds.

We recommend the Commission implement procedures to ensure services are performed prior to payment being made, and adequate supporting documentation for the expenses is on file.

c) ***Coding Errors***

During testing, the APA identified a transaction that was improperly recorded in the State's Accounting System. The Commission has an agreement with Convention Sports & Leisure International, LLC, to update the Tourism Industry Strategic Plan. However, the expenditure was incorrectly coded to Contractual Aid but should have been coded to an operating expense account, such as Management Consultant Services.

A good internal control plan and sound accounting practices require transactions to be properly recorded in the State's Accounting System to ensure financial reporting is complete and accurate.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

11. **Other Expenditure Issues Including Lack of Documentation** (Concluded)

When transactions are recorded incorrectly in the State's Accounting System, there is an increased risk of material misstatement of the financial statements.

We recommend the Commission implement procedures to ensure transactions are recorded properly in the State's Accounting System, and related financial information is presented accurately.

Commission Response: There are no additional responses from the Commission regarding coding errors for this section that have not already been addressed.

12. **Commission Rules and Regulations**

According to State law, one of the duties of the Commission is to establish rules and regulations necessary to carry out the Nebraska Visitors Development Act. However, since becoming a State agency in July 2012, the Commission has not adopted or promulgated any rules and regulations, as required. The Commission staff was unaware of the requirement to do so.

Neb. Rev. Stat. § 81-3724 (Reissue 2014) requires the following:

The commission and the Tax Commissioner shall adopt and promulgate rules and regulations to carry out the Nebraska Visitors Development Act.

In addition Neb. Rev. Stat. § 84-901.01(2) (Reissue 2014) provides the following:

If such agency has not adopted and promulgated such rules and regulations within three years after the operative or effective date of such enacting legislation, the standing committee of the Legislature which has subject matter jurisdiction over the matters included in the legislation shall hold a public hearing to determine the reason that such rules and regulations have not been enacted.

By failing to adopt and promulgate rules and regulations to carry out the Nebraska Visitors Development Act, as required by § 81-3724, the Commission is in violation of State law.

We recommend the Commission adopt and promulgate rules and regulations to carry out the Nebraska Visitors Development Act.

Commission Response: The Commission has established Governance Principles. The Commission staff has been adhering to Rules and Regulations which were retained when the Tourism Division moved out of the Nebraska Department of Economic Development. The Commission Chair has currently assigned a Committee to coordinate the drafting of Commission Rules and Regulations as they relate to Commission operations. The Committee will present them to the full Commission for review and support.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

13. Tourism Strategic Plan

One of the few statutory duties of the Commission is to develop a comprehensive Nebraska Tourism Industry Strategic Plan for the State. Since 2011, the Commission has paid Conventions, Sports & Leisure International, an advisory and planning firm based in Plano, Texas, over \$180,000 to create, develop, and update the Strategic Plan. Last presented on August 27, 2012, the Strategic Plan is being updated for 2015 and is currently in draft form.

In reviewing the Strategic Plan, the APA noted the absence of certain items that are statutorily required to be included. Neither the 2012 plan nor the 2015 draft update contain a comprehensive inventory of local tourism boards, the structure of such boards, the funding of such boards, or the criteria for local tourism boards for appointments and awarding grants.

Neb. Rev. Stat. § 81-3713(2) (Reissue 2014) requires, in relevant part, the following:

The commission shall develop a statewide strategic plan to cultivate and promote tourism in Nebraska. The commission shall adopt policy criteria to be used in the development of the plan. The plan shall include:

* * * *

(b) A comprehensive inventory of local tourism boards, the structure of such boards, and their funding;

(c) Criteria for local tourism boards in terms of appointments to such boards and for awarding grants by such boards at the local level to ensure local resources are used to achieve the greatest return[.]

By failing to include statutorily required information in its Strategic Plan, the Commission is in violation of State law.

We recommend the Commission implement procedures to ensure its Strategic Plan complies with the requirements of State statute.

Commission Response: In crafting the 2012 Nebraska Tourism Industry Strategic Plan, the contracted entity Conventions, Sports & Leisure International made significant attempts to collect data from local tourism boards throughout the state. Their findings were only moderately successful because in Nebraska, as is the case in other states throughout the country, local tourism boards perform their organizational/financial reporting differently. A number of local tourism boards were unable to undertake the additional effort to provide CSL International with the data in the consistent format they required to include within the Strategic Plan documentation. The substantial follow-up required to attempt to clarify and achieve consistent data would have involved fees and timing beyond the initial contracted scope, timeline and budget. CSL and the Commission feel stronger response and consistency could potentially be obtained through revised legislation requiring tourism tax funded recipient counties to annually report according to a new unified format.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

13. **Tourism Strategic Plan** (Concluded)

In regards to criteria being provided to local tourism boards to award grants, and as a result of the 2012 Strategic Plan, the Commission has established a Best Practices and Guiding Principles Committee and a resulting Visitor Improvement Fund Grant, Application and Guidelines available here:

<http://visitnebraska.com/media/industry/best-practices-and-guiding-principles>

The information is also promoted annually with more than 800 county officials, county clerks and Visitor Committee members across the state.

14. **Fixed Assets**

During testing of the Commission's fixed assets, the APA identified the following issues.

*a) **Tourism Kiosks***

Because it was neither capitalized nor tagged properly, the tourism informational kiosk located outside the Commission's office could not be traced to an asset list within the State's Accounting System. In 2014, the Commission purchased from Nanonation, Inc., a Lincoln, Nebraska, digital signage company, six kiosks that have been placed in various locations across the State, including the Henry Doorly Zoo, the State Capitol, the Kearney Archway, the Sidney Visitor Center, and the Crane Trust Nature and Visitor Center.

The total cost of these six informational kiosks was \$68,325, which had been coded originally as a marketing expense and not a capital asset account, as required. In addition, the Commission did not appear to enter a requisition for DAS approval prior to the purchase or accept any competitive bids. The following items were included in the purchase of the six kiosks:

Description	Total
Hardware	\$33,225
Design, Development, Project Management, and Quality Assurance	\$11,100
Development, Setup, and Branding	\$8,000
Facebook Integration	\$4,500
Twitter Integration	\$3,900
Support Plan	\$3,300
Software License	\$2,500
Installation	\$1,800
Total	\$68,325

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

14. **Fixed Assets** (Continued)

Neb. Rev. Stat. § 81-1118(5) (Reissue 2014) requires State agency purchases with an estimated value in excess of \$25,000 to be competitively bid, as follows:

The state purchasing bureau shall be responsible for all purchases by all state agencies other than the University of Nebraska. The materiel division shall administer the public notice and bidding procedures and any other areas designated by the Director of Administrative Services to carry out the lease or purchase of personal property. All purchases of and contracts for materials, supplies, or equipment and all leases of personal property shall be made in the following manner except in emergencies approved by the Governor:

(a) By a competitive formal sealed bidding process through the materiel division in all cases in which the purchases are of estimated value in the amount of twenty-five thousand dollars or more[.]

The State Accounting Manual, AM-005, General Policies, Section 28, Capital Outlay, states the following:

The DAS Materiel Administrator has established \$1,500 as the minimum for capitalization of articles or property . . . Capitalized items must be coded to object codes 580000-586900. These costs can include the cost for freight and any costs incurred in preparing the item for service.

Neb. Rev. Stat. § 81-1118.02(3) (Reissue 2014) requires the tagging of assets, as follows:

Each such executive, department, commission, or other state agency shall indelibly tag, mark, or stamp all such property belonging to the State of Nebraska, with the following: Property of the State of Nebraska.

When asset purchases are not competitively bid or tagged properly, the Commission is in violation of State law. When property costing in excess of \$1,500 is not capitalized, the Commission is not in compliance with the State Accounting Manual.

We recommend the Commission implement procedures to ensure compliance with both State law and the State Accounting Manual for the purchase and subsequent management of personal property.

Commission Response: The Commission's fixed assets are activities that the Commission updates yearly. The Commission Kiosks are a project that has been in place for several years. The financial total includes several years with maintenance and program changes due to website updates. The kiosks are located across the state to promote attractions and events statewide to visitors. Fixed Assets are assigned to the Commission's accounting segment.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

14. **Fixed Assets** (Continued)

b) Lack of Monitoring Assets and Coding Errors

The Commission lacked procedures to ensure that its fixed assets were properly recorded and monitored within the State Accounting System, as follows.

- On April 10, 2015, the Commission purchased for its office a decorative floating wall costing \$7,220. Because it had been coded originally to a depreciation account and not a capital asset account, however, this item was not assigned a cost within the State Accounting System. In addition, the APA identified 47 other items that had no cost assigned to them within the State Accounting System.
- When adding three of the fixed assets tested to the system, the Commission had assigned them incorrect item codes. Item codes are used to depreciate an item accurately over its estimated useful life. The APA noted following issues:
 1. A Samsung HDTV was coded to Furniture and Office Equipment, as opposed to Electronic Equipment.
 2. Lobby seating furniture was coded to Computer Hardware Equipment and Software, as opposed to Furniture and Office Equipment.
 3. A Canon camera was coded to Furniture and Office Equipment, as opposed to Electronic Equipment. In addition, this item was purchased using the agency purchasing card and not through a purchase order or through one of the statewide contracts.
- The Commission did not fully capitalize the cost of a desk, as a delivery and setup charge of \$134 was not included in the price.
- The Commission had no formal procedures for reviewing or documenting the fixed asset reports within the State Accounting System, including passed item reports, integrity reports, or no cost reports. In addition, there was no separate review of the surplus property notification form prior to submission to DAS.

The State Accounting Manual, AM-005, General Policies, Section 28, Capital Outlay, states the following:

Agencies have the option to capitalize items under \$1,500 on their inventories if they so desire. To determine if an item should be a capital outlay, the item should have an expected useful life of two or more years and the total costs for the items should be \$1,500 or greater. Capitalized items must be coded to object codes 580000-586900. These costs can include the cost for freight and any costs incurred in preparing the item for service. Fixed assets should be recorded to the appropriate object code and item code to ensure appropriate depreciation lives are utilized. Each agency should run the Unposted Fixed Asset Report to review costs assigned to a specific tag number. When it has been determined that costs on the report are properly capitalized, the agency should post the costs to the tag number.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

14. **Fixed Assets** (Concluded)

The DAS Unrestricted Open Market Purchase Authority FY 2014-2015 Letter provides the following:

All purchases of fixed assets using object account numbers between 580300-586999 are to be made by generating purchase orders in the Payroll and Financial Center.

A good internal control plan and sound business practices require procedures to ensure that items are assigned costs and are purchased via the statewide contract when possible.

Without proper controls and coding for fixed assets, the Commission is not in compliance with the State Accounting Manual, and there is an increased risk that items could be lost or stolen. Failure to assign the correct costs to assets further increases the risk of theft or loss. When assets are not purchased through statewide contracts when available, moreover, there is an increased risk of loss or misuse of State funds.

We recommend the Commission implement procedures to ensure the following:

- Fixed assets are properly monitored, and changes thereto are reviewed, approved, and documented to ensure entries in the State Accounting System are proper.
- There is full compliance with the State Accounting Manual.
- There is full compliance with both the State Accounting Manual and the DAS Unrestricted Open Market Purchase Authority Letter.
- Assets capitalized in EnterpriseOne have costs assigned to them.

Commission Response: Coding Errors are currently being addressed within the Commission's accounting section. The Commission as mentioned prior and throughout the report will be working with DAS in the immediate future to assist with the tasks aligned with coding, reimbursements, documentation and human resources.

15. **Payroll Processing**

The APA selected three of the Commission's employees for payroll testing and noted the following:

- Several payroll transactions were improperly coded within the State Accounting System. Payroll transactions, totaling \$33,199, were coded to Permanent Salaries-Wages; however, they should have been coded to various leave expense accounts. These errors occurred because the Commission was unaware of a required step in the payroll process.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS
(Continued)

15. Payroll Processing (Continued)

- Several payroll transactions, totaling \$1,362, were coded to the incorrect pay type within the State Accounting System.
- One employee did not have a W-4 or I-9 form on file. This employee was also the sole employee responsible for processing the Commission's payroll.
- Two employees did not have support on file for payroll deductions.
- One employee's adjusted service date was incorrect in the State Accounting System because it improperly included time worked as a temporary employee. An employee's adjusted service date is used for determining sick and vacation leave accrual rates – none of which were affected by the error in this instance.

Additionally, the APA found that the Commission did not require employees to submit substantiating evidence to support large amounts of sick leave used. The APA tested four employees who had taken numerous consecutive sick leave days, and none of those individuals had documentation supporting the leave used.

Title 273 NAC 12-002 requires the following documents to be retained:

Record of documents initiated by the employee that affect pay (W-4's, authorized deductions, etc.).

The Department of Homeland Security – U.S. Citizenship and Immigration Services requires that the Form I-9, Employment Eligibility Verification, be completed to document that an employee hired after November 6, 1986, is eligible to work in the United States.

Title 273 NAC 10-005.02 provides the following:

An employee may be required to submit substantiating evidence when the reason for the leave request was a medical or dental appointment or when the agency head suspects sick leave abuse. Substantiating evidence may also be required if the sick leave absence exceeds 3 workdays but is less than 10 workdays. Substantiating evidence shall be required if the sick leave absence is 10 workdays or longer.

The NAPE/AFSCME and State of Nebraska Labor Contract, section 14.12, Request for Sick Leave, states the following, in relevant part:

An employee may be required to submit substantiating evidence when the reason for the leave request was a medical or dental appointment or when the Agency Head and/or his/her Designee suspects sick leave abuse. Substantiating evidence may be required if the sick leave absence exceeds three consecutive workdays.

Title 273 NAC 5-005 states the following:

In the event a temporary employee obtains a regular position in state government, the period of temporary employment shall not count toward service date or original probation period.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

15. **Payroll Processing** (Concluded)

A good internal control plan and sound accounting practices require transactions to be properly recorded in the State's Accounting System to ensure financial reporting is complete and accurate, and adequate documentation is maintained for all payroll items.

When transactions are not properly recorded in the State's Accounting System, there is an increased risk that financial statements will be materially misstated. Also, when adequate documentation is not maintained, there is an increased risk that employee pay errors will go undetected. Finally, when adjusted employee service dates are incorrect, there is an increased risk that leave earnings will not be proper.

We recommend the Commission implement policies and procedures to ensure all payroll charges are properly recorded in the State's Accounting System, adequate documentation is maintained for all payroll-related items, support for sick leave used is received and maintained on file, and adjusted service dates are calculated and entered into the system properly.

Commission Response: All Payroll processing with the exception of approving time sheets and requested leave are within the job duties of the Accountant II. The Commission will correct any deficiencies or lack of documentation by partnering with DAS. The Commission currently uses the State's electronic GLA system to track and monitor leave request and accumulation.

16. **Timely Deposit of State Funds**

During testing of agency receipts, the APA found that the Commission was not depositing those revenues timely, as required by State statute. The following amounts were not deposited timely by the Commission:

Description	Number of Transactions	Total Amount
2015 Tourism Conference	20	\$14,775
2015 Agri/Eco Conference	6	\$1,710
Totals	26	\$16,485

Neb. Rev. Stat. § 84-710 (Reissue 2014) requires the following:

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

When its receipts are not deposited timely, the Commission is in violation of State law.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

16. Timely Deposit of State Funds (Concluded)

We recommend the Commission implement policies and procedures to ensure its receipts are deposited timely, as required by State statute.

Commission Response: The Commission supports the State policy relating to the timely deposit of agency receipts or any such revenues in a timely fashion. The Commission has changed current operating procedures to accommodate the State policy and to ensure compliance.

17. Third-Party Payment Processor

During calendar year 2015, the Commission utilized EventBrite to process online registrations and payments for the annual Tourism and Agri/Eco conferences. EventBrite is an event registration and payment-processing website for charge card payments. For each event, EventBrite holds the collected payments until the event closes, at which time it sends a check to the Commission for the total amount received, minus applicable fees for its own services.

During 2015, the Commission received \$11,365 from EventBrite. However, the Commission's use of the EventBrite was not approved by the State Treasurer or the Director of Administrative Services, as required by State law.

Neb. Rev. Stat. § 81-118.01(5) (Reissue 2014) provides, in relevant part, the following:

The types of credit cards, charge cards, or debit cards accepted and the payment services provided for any state official or state agency shall be determined by the State Treasurer and the Director of Administrative Services with the advice of the committee convened pursuant to subsection (5) of section 13-609.

By using payment services not approved by the State Treasurer and the Director of Administrative Services, the Commission is in violation of State statute. Furthermore, when State funds are held by an unauthorized third party, there is an increased risk for the loss of those monies.

We recommend the Commission use the State's authorized payment services provider or work with the State Treasurer and Director of Administrative Services to obtain approval for an alternative provider.

Commission Response: Through previous research of payment services providers, the Commission gave every effort to utilize a cost-effective vendor without knowledge of the approval process requirement in place. Moving forward, the Commission will work with the State Treasurer and Director of Administrative Services to utilize approved payment services providers for future tourism conferences.

NEBRASKA TOURISM COMMISSION
COMMENTS AND RECOMMENDATIONS
(Continued)

18. Commission Merchandise

After calendar year 2015 ended, the Commission purchased several items for the purposes of selling Nebraska-related merchandise at conferences, shows, and online. However, both the State Accounting Administrator and the Nebraska Attorney General's office expressed concerns that the Commission lacked the statutory authority to deposit proceeds from the sale of merchandise.

Though aware of the concerns expressed by the State Accounting Administrator and the Nebraska Attorney General's office, the Commission ordered the merchandise nonetheless. The Commission ordered the following merchandise during February 2016:

Invoice Date	Vendor	Description	Amount
2/8/2016	Wing Foot	400 Regular and Long sleeve T-Shirts	\$2,665.00
2/18/2016	ARTFX	34 Jackets With Mesh Lining	\$1,194.00
2/18/2016	ARTFX	24 Half-Zip Top	\$844.00
2/18/2016	ARTFX	45 Crewnecks	\$810.00
2/18/2016	ARTFX	7 Marmot Fleece Half-Zip	\$562.00
2/18/2016	ARTFX	20 Gym Bags	\$340.00
2/19/2016	ARTFX	96 Plastic Travel Mugs	\$323.00
2/18/2016	ARTFX	7 Sport Jackets	\$319.00
2/18/2016	ARTFX	35 Beanies and Caps	\$315.00
2/18/2016	ARTFX	36 Stainless Steel Mugs	\$253.00
2/18/2016	ARTFX	10 Fleece Blankets	\$200.00
2/19/2016	ARTFX	205 Collapsible Foam Koozies	\$179.50
2/17/2016	ARTFX	20 Sport Bags	\$160.00
Total Amount Invoiced to Commission			\$8,164.50

Due to its apparent lack of authority to sell the merchandise ordered above, the Commission decided instead to give the items away as promotional items. Based upon the documentation obtained and discussions with agency staff, however, this was not the initial intent for this merchandise.

Good business practices require policies and procedures to ensure that purchases are made for their intended purpose, and the appropriate approval is received before ordering merchandise for sale or distribution. When purchases are made prior to receiving the proper authorization, there is an increased risk for the loss or misuse of State funds.

We recommend the Commission ensure adequate procedures are in place to prevent purchases for unauthorized purposes.

Commission Response: Gear and related marketing or promotional merchandise are a component of promotion. The Commission is daily being asked for donated promotional items, including a great deal of request from state agencies. This BRAND merchandise originated with discussions with DAS Material division to ensure the Commission was in compliance for an

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

18. Commission Merchandise (Concluded)

order under \$10,000.00. Upon receiving approval specifically stating it would be used for promotional, marketing and potential retail sales, the Commission moved forward with the order. It was during the ordering process that the Commission contacted the Attorney General Office staff, to review the request and noticed the Commission's statute does not allow retail sales. The Attorney General staff noted a Commission statute revision would be required in order to accommodate any retail activities. The items are currently being used as promotional/marketing related items for distribution purposes. An inventory of such items is currently on file including where such distribution of promotional gear is sent.

19. EnterpriseOne User Access

We noted the following regarding Commission employees' access in EnterpriseOne, the State's Accounting System:

- Five employees had accounts payable (AP) 20 access, which is used for entering vouchers and reviewing, approving, and posting batches. It appears unnecessary for so many employees to have this access; instead, this role should be limited to those select few individuals who require such access.
- Three employees had full access to the payroll function in the accounting system, which does not appear reasonable based on their limited job duties. One employee should not have had any access at all. Likewise, another employee should have had access only to approve timesheets and leave, and the third employee should have had inquiry and reporting access only.
- One employee had accounts receivable (AR) 32 access, which is used for creating invoices in the system. Because the Commission never creates invoices in the system, however, this access appears unnecessary.
- Four employees had primary fixed asset access in the accounting system, allowing them to add, delete, or change equipment status. This role should be limited to a select few individuals who require such access.

Nebraska Information Technology Commission (NITC) Standards and Guidelines, Information Security Policy 8-101, Section 4.7.2, User Account Management, states the following, in relevant part:

A user account management process will be established and documented to identify all functions of user account management, to include the creation, distribution, modification and deletion of user accounts. Data owner(s) are responsible for determining who should have access to information and the appropriate access privileges (read, write, delete, etc.). The "Principle of Least Privilege" should be used to ensure that only authorized individuals have access to applications and information and that these users only have access to the resources required for the normal performance of their job responsibilities Agencies or data owner(s) should perform annual user reviews of access and appropriate privileges.

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

19. **EnterpriseOne User Access** (Concluded)

NITC Standards and Guidelines, Information Security Policy 8-101, Section 4.7.3, Privileged Accounts Management, states the following:

The issuance and use of privileged accounts will be restricted and controlled. Processes must be developed to ensure that users of privileged accounts are monitored, and any suspected misuse is promptly investigated.

A good internal control plan requires procedures to ensure that each employee's level of access to EnterpriseOne is commensurate with his or her job responsibilities. When users have access beyond what their official duties require, there is an increased risk for unauthorized transactions within, or even changes to, the system that could result in the loss or misuse of State funds.

We recommend the Commission review each employee's access to EnterpriseOne to ensure that it is reasonable and necessary based on his or her specific job responsibilities.

Commission Response: Upon the creation of the Commission, the few staff members available were granted access to several areas to fulfill job responsibilities and maintain Commission assignments and tasks. When the Commission became authorized to hire additional staff including an Accountant II, several EnterpriseOne accesses options were not updated and changed. As herein mentioned early throughout the report, this will be addressed as the Commission works to partner with DAS and shared services.

20. **Affordable Care Act**

Each year, the Commission hires approximately 40 temporary employees to staff rest areas and other attractions along Interstate 80. During 2015, these employees began working in March-May and continued through the end of October, earning between 20 and 40 hours per week. These employees were not eligible for insurance benefits during 2015.

We noted the Commission did not have adequate procedures in place to monitor the status of their temporary employees to determine if they should be receiving insurance coverage under the "employer mandate" of the federal Affordable Care Act.

Under 26 U.S.C. § 4980H(a) of the Internal Revenue Code, certain employers who do not offer their employees the appropriate insurance may be penalized with an "assessable payment," as follows:

Large employers not offering health coverage If—

(1) any applicable large employer fails to offer to its full-time employees (and their dependents) the opportunity to enroll in minimum essential coverage under an eligible employer-sponsored plan (as defined in section 5000A(f)(2)) for any month, and

NEBRASKA TOURISM COMMISSION

COMMENTS AND RECOMMENDATIONS
(Concluded)

20. **Affordable Care Act** (Concluded)

(2) at least one full-time employee of the applicable large employer has been certified to the employer under section 1411 of the Patient Protection and Affordable Care Act as having enrolled for such month in a qualified health plan with respect to which an applicable premium tax credit or cost-sharing reduction is allowed or paid with respect to the employee,

then there is hereby imposed on the employer an assessable payment equal to the product of the applicable payment amount and the number of individuals employed by the employer as full-time employees during such month.

Per 26 U.S.C. § 4980H(c)(2)(a), “The term ‘applicable large employer’ means, with respect to a calendar year, an employer who employed an average of at least 50 full-time employees on business days during the preceding calendar year.”

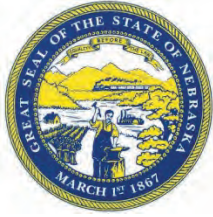
The Commission boosts its overall work force to more than 50 employees when it hires approximately 40 seasonal workers.

According to 26 U.S.C. § 4980H(c)(4)(a), “The term ‘full-time employee’ means, with respect to any month, an employee who is employed on average at least 30 hours of service per week.”

When adequate procedures are not in place to monitor the insurance status of the Commission’s temporary employees, there is an increased risk the Commission will not be in compliance with the “employer mandate” of the Federal Affordable Care Act, which could result an “assessable payment” penalty.

We recommend the Commission implement procedures to monitor the insurance status of its temporary employees, working with the State Personnel Division of the Department of Administrative Services to determine what, if any, actions are necessary to comply with “employer mandate” of the Federal Affordable Care Act.

Commission Response: The Commission is aware of the 2015 changes in the affordable Care Act and has adjusted the 2016 seasonal days/work hours to a maximum of a 120 day duration based on the informational discussions with the State Personnel Division of DAS.



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NEBRASKA TOURISM COMMISSION

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Tourism Commission
Lincoln, Nebraska

We have examined the accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balances of the Nebraska Tourism Commission for the calendar year ended December 31, 2015. The Nebraska Tourism Commission'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, revenues, expenditures, and changes in fund balances of the Nebraska Tourism Commission for the calendar year ended December 31, 2015, based on the accounting system and procedures prescribed by the State of Nebraska Department of Administrative Services, as described in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Schedule of Revenues, Expenditures, and Changes in Fund Balances and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Schedule of

Revenues, Expenditures, and Changes in Fund Balances is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedule of Revenues, Expenditures, and Changes in Fund Balances or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed certain findings that are required to be reported under *Government Auditing Standards*, and those findings, along with the views of management, are described in the Comments Section of the report.

This report is intended solely for the information and use of management, the Commissioners, others within the Nebraska Tourism Commission, and the appropriate Federal and regulatory agencies, and it is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink, appearing to read "C. J. Janssen", with a long horizontal flourish extending to the right.

Charlie Janssen
Auditor of Public Accounts

April 18, 2016

NEBRASKA TOURISM COMMISSION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Period January 1, 2015, through December 31, 2015

	General Fund 10000	State Visitors Promotion Cash Fund 27210	Tourism Conference Cash Fund 29100	Totals (Memorandum Only)
REVENUES:				
Appropriations	\$ 386,069	\$ -	\$ -	\$ 386,069
Taxes	-	5,275,367	-	5,275,367
Sales & Charges	-	6,400	20,000	26,400
Miscellaneous	-	56,244	50,242	106,486
TOTAL REVENUES	386,069	5,338,011	70,242	5,794,322
EXPENDITURES:				
Personal Services	-	884,219	-	884,219
Operating	(46,388)	4,586,742	54,707	4,595,061
Travel	-	144,182	20,439	164,621
Capital Outlay	-	11,439	-	11,439
Government Aid	432,457	-	-	432,457
TOTAL EXPENDITURES	386,069	5,626,582	75,146	6,087,797
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(288,571)	(4,904)	(293,475)
OTHER FINANCING SOURCES (USES):				
Sales of Assets	-	435	-	435
TOTAL OTHER FINANCING SOURCES (USES)	-	435	-	435
Net Change in Fund Balances	-	(288,136)	(4,904)	(293,040)
FUND BALANCES, JANUARY 1, 2015	-	3,054,681	30,268	3,084,949
FUND BALANCES, DECEMBER 31, 2015	\$ -	\$ 2,766,545	\$ 25,364	\$ 2,791,909
FUND BALANCES CONSIST OF:				
General Cash	\$ -	\$ 2,754,580	\$ 25,239	\$ 2,779,819
Deposits with Vendors	-	16,355	-	16,355
Accounts Receivable Invoiced	-	-	125	125
Due to Vendors	-	(3,984)	-	(3,984)
Due to Fund	-	(406)	-	(406)
TOTAL FUND BALANCES	\$ -	\$ 2,766,545	\$ 25,364	\$ 2,791,909

The accompanying notes are an integral part of the schedule.

NEBRASKA TOURISM COMMISSION

NOTES TO THE SCHEDULE

For the period January 1, 2015, through December 31, 2015

1. Criteria

The accounting policies of the Nebraska Tourism Commission (Commission) are on the basis of accounting, as prescribed by the State of Nebraska Director of Administrative Services (DAS).

Per Neb. Rev. Stat. § 81-1107(2) (Reissue 2014), the duties of the State of Nebraska's Director of the Department of Administrative Services (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 Commission to record all accounts receivable and related revenues in EnterpriseOne; as such, the Commission's schedule does not include all accounts receivable and related revenues. In a like manner, expenditures and related accounts payable are recorded in the general ledger as transactions occur. As such, the schedule includes those expenditures and related accounts payable posted in the general ledger as of December 31, 2015, and not yet paid as of that date. The amount recorded as expenditures on the schedule, as of December 31, 2015, **does not** include amounts for goods and services received before December 31, 2015, which had not been posted to the general ledger as of December 31, 2015.

Other liabilities are recorded in accounts entitled Due to Vendors and Due to Fund for the Commission. 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.

The Commission had \$125 accounts receivable recorded in EnterpriseOne at December 31, 2015. However, State Accounting did not require the Commission to record its receivables on the general ledger, and, thus, the amount above does not necessarily reflect all the accounts receivable of the Commission. Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

NEBRASKA TOURISM COMMISSION

NOTES TO THE SCHEDULE

(Continued)

1. **Criteria** (Continued)

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

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

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.

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

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

Taxes – Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. Taxes recorded as revenue for the Commission consist of lodging taxes.

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 and amounts received from Tourism Conferences.

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

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

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 TOURISM COMMISSION

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 Commission 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 Commission's funds at December 31, 2015, included amounts recorded in Due to Vendors and 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.

Other Financing Sources – Included proceeds of fixed asset dispositions.

2. **Reporting Entity**

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

The Commission 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.

NEBRASKA TOURISM COMMISSION

NOTES TO THE SCHEDULE

(Continued)

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 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 Commission takes an annual inventory, recording in the State Accounting System all equipment that has a cost of \$1,500 or more at the date of acquisition.

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

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

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets				
Equipment	\$ 17,840	\$ 10,470	\$ -	\$ 28,310
Less accumulated depreciation for:				
Equipment				(10,661)
Total capital assets, net of depreciation				\$ 17,649

NEBRASKA TOURISM COMMISSION

NOTES TO THE SCHEDULE

(Concluded)

6. Negative Expenditures

The Commission moved \$46,388 of operating expenditures from the general fund during calendar year 2015; however, the original expenses were recorded prior to January 1, 2015. As a result, negative expenditures within the general fund were included.

NEBRASKA TOURISM COMMISSION

SUPPLEMENTARY INFORMATION

Our examination was conducted for the purpose of forming an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances. Supplementary information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination of the Schedule of Revenues, Expenditures, and Changes in Fund Balances, and, accordingly, we express no opinion on it.

NEBRASKA TOURISM COMMISSION
EXHIBIT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2015 and Calendar Year Ended December 31, 2015

EXHIBIT A

	July 1, 2014 through December 31, 2014	January 1, 2015 through June 30, 2015	Total Fiscal Year Ended June 30, 2015	July 1, 2015 through December 31, 2015	Total Calendar Year Ended December 31, 2015
REVENUES:					
Appropriations	\$ 182,954	\$ 3,479	\$ 186,433	\$ 382,590	\$ 386,069
Taxes	3,013,657	1,980,187	4,993,844	3,295,180	5,275,367
Sales & Charges	18,725	10,520	29,245	15,880	26,400
Miscellaneous	60,514	41,769	102,283	64,717	106,486
TOTAL REVENUES	3,275,850	2,035,955	5,311,805	3,758,367	5,794,322
EXPENDITURES:					
Personal Services	392,746	375,196	767,942	509,023	884,219
Operating	2,385,358	2,081,890	4,467,248	2,513,171	4,595,061
Travel	87,521	74,859	162,380	89,762	164,621
Capital Outlay	3,000	8,189	11,189	3,250	11,439
Government Aid	142,566	49,867	192,433	382,590	432,457
TOTAL EXPENDITURES	3,011,191	2,590,001	5,601,192	3,497,796	6,087,797
Excess (Deficiency) of Revenues Over (Under) Expenditures	264,659	(554,046)	(289,387)	260,571	(293,475)
OTHER FINANCING SOURCES (USES):					
Sales of Assets	-	-	-	435	435
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	435	435
Net Change in Fund Balances	264,659	(554,046)	(289,387)	261,006	(293,040)
BEGINNING FUND BALANCES	2,820,290	3,084,949	2,820,290	2,530,903	3,084,949
ENDING FUND BALANCES	\$ 3,084,949	\$ 2,530,903	\$ 2,530,903	\$ 2,791,909	\$ 2,791,909
FUND BALANCES CONSIST OF:					
General Cash	\$ 3,247,262	\$ 2,518,938	\$ 2,518,938	\$ 2,779,819	\$ 2,779,819
Deposits with Vendors	16,355	16,355	16,355	16,355	16,355
Accounts Receivable Invoiced	-	-	-	125	125
Due to Vendors	(178,262)	(3,984)	(3,984)	(3,984)	(3,984)
Due to Fund	(406)	(406)	(406)	(406)	(406)
TOTAL FUND BALANCES	\$ 3,084,949	\$ 2,530,903	\$ 2,530,903	\$ 2,791,909	\$ 2,791,909

Source: Information obtained from the State accounting system, EnterpriseOne

NEBRASKA TOURISM COMMISSION
PHOTO SHOOT TRAVEL EXPENSE SUMMARY
Calendar Year Ended December 31, 2015

EXHIBIT B

Item #	Date	Amount	Receipt	Description
1	5/22/2015	\$97.68	Detailed	Planning lunch for seven people.
2	No Receipt	\$31.15	No Receipt	No receipt, per credit card statement vendor was Trader Joes.
3	5/31/2015	\$97.45	Detailed	Purchase for drinks, candy, propane, utensils, tarp, etc. \$4.06 in tax paid.
4	Illegible	\$332.87	Partial Detail	Purchase for food and other perishable items with \$0.49 in tax paid.
5	6/1/2015	\$269.29	Detailed	Purchase for food and other perishable items.
6	6/1/2015	\$266.69	Partial Detail	Purchase for food, including \$57.94 worth of alcohol. \$4.61 in tax was paid.
7	6/1/2015	\$9.00	Detailed	Purchase for six bags of sunflower seeds.
8	6/2/2015	\$67.20	N/A	Mileage reimbursement for Ron Sack to travel from Omaha to Lincoln and back. The APA noted that Ron Sack had a lunch receipt from Mullen, NE the same day. \$33.60 was not reasonable.
9	6/10/2015	\$87.36	N/A	Mileage for Bailey Lauerman staff from Lincoln to Quarry Oaks (Ashland), props, airboats, & Omaha. The APA recalculated mileage plus 10% reasonableness factor to be 138 miles, though 156 miles were claimed for a variance of 18 miles or \$10.08.
10	No Date	\$10.57	Partial Detail	Lunch purchase for one person.
11	No Date	\$11.48	Partial Detail	Lunch purchase for one person.
12	6/4/2015	\$18.86	Detailed	Purchase for fuel to fill talent's car.
13	6/5/2015	\$58.78	Not Detailed – Credit Card Receipt Only	Dinner in Ogallala, NE with Anderson Production staff and Bailey Lauerman staff.
14	6/4/2015	\$45.70	Not Detailed – Credit Card Receipt Only	Dinner in Valentine, NE for five “talent” staff.
15	6/4/2015	\$5.00	N/A	\$5 tip at hotel in Valentine.
16	6/5/2015	\$5.00	N/A	\$5 tip at hotel in Ogallala.
17	6/5/2015	\$5.00	N/A	\$5 tip at hotel in Thedford.
18	6/7/2015	\$6.73	Detailed	Breakfast purchase for one person with \$0.12 in tax paid.
19	6/7/2015	\$48.08	Detailed	Purchase for food, ice, paper cups, and bug spray with \$1.06 in tax paid.
20	6/8/2015	\$15.99	Detailed	Purchase for two waters, snacks, and alcohol (beer) for \$10.49 with \$0.73 in tax paid.
21	6/8/2015	\$34.05	Detailed	Purchase for water, lunch meat, and alcohol (gin) for \$25.79 with \$1.81 in tax paid.
22	6/10/2015	\$14.81	Detailed	Breakfast purchase for two people.
23	6/7/2015	\$5.00	N/A	\$5 tip at hotel in Bassett.
24	6/10/2015	\$135.08	Detailed	Lunch purchase for four in Omaha; GSA rate for lunch was \$15 or \$60. \$75.08 was not reasonable.
25	6/10/2015	\$295.43	Detailed	Dinner purchase for 10 in Omaha; GSA rate for dinner was \$31 per person or \$310. This dinner also included alcohol for \$85. 20% gratuity was added to the bill as the party was greater than 8, though Bailey Lauerman gave an additional \$20 tip for a total of \$62.48 (27%).
26	No Date	\$92.15	Partial Detail	Breakfast purchase for eight people; GSA rate for breakfast was \$7 per person or \$56. \$36.15 was not reasonable. There was not a receipt on file, only order tickets that did not have prices; per credit card statement the charge posted 6/10/15.
27	No Date	\$285.23	Partial Detail	Lunch purchase for 16 people; GSA rate for lunch was \$11 per person or \$176. \$109.23 was not reasonable. There was not a receipt on file, only order tickets that did not have prices; per credit card statement the charge posted 6/9/15.
28	No Date	\$177.25	Partial Detail	Lunch purchase for five “extras” while taking pictures at the restaurant; GSA rate for lunch was \$11 per person or \$55. \$122.25 was not reasonable. There was not a receipt on file, only order tickets that did not have prices; per credit card statement the charge posted 6/9/15.

NEBRASKA TOURISM COMMISSION
PHOTO SHOOT TRAVEL EXPENSE SUMMARY
 Calendar Year Ended December 31, 2015

EXHIBIT B

Item #	Date	Amount	Receipt	Description
29	6/3/2015	\$52.26	Partial Detail	Cannot identify what was purchased, except for 2 photo batteries and charcoal.
30	6/5/2015	\$13.90	Partial Detail	Purchase was for sonic howler (Nerf Frisbee) as a prop by Bailey Lauerma.
31	Illegible	\$7.06	Detailed	Purchase for snacks and drinks.
32	6/8/2015	\$57.66	Detailed	Purchase for fuel to fill rental car.
33	6/8/2015	\$13.73	Partial Detail	Purchase was for Armor-All and groceries.
34	Illegible	\$41.67	Illegible	Purchase for fuel. Per credit card statement the charge paid to a Norfolk convenience store and posted on 6/10/15.
35	6/7/2015	\$31.46	Partial Detail	Purchase for water, ice, and other items that could not be determined.
36	Illegible	\$20.95	Partial Detail	Miscellaneous – per receipt; per credit card statement the charge paid to a Crawford gas station and posted on 6/8/15.
37	6/7/2015	\$32.97	Detailed	Purchase for fuel to fill rental car.
38	6/8/2015	\$3.00	Detailed	Purchase for “groc” per receipt. It is unknown what was purchased.
39	6/8/2015	\$3.00	Detailed	Purchase for “groc” per receipt. It is unknown what was purchased.
40	Illegible	\$26.14	Partial Detail	Purchase for ice, a bottle of pop, and cigarettes with \$0.33 in tax paid.
41	6/2/2015	\$81.34	Partial Detail	Receipt is partially legible. Purchase was for food items with \$1.40 in tax paid ; per credit card statement charge posted 6/4/15. \$41.91 in purchases were unidentifiable.
42	6/5/2015	\$48.93	Detailed	Purchase for snacks (chips, trail mix, candy, deli, seeds) and drinks (pop, water) with \$0.84 in tax paid.
43	Illegible	\$383.55	Partial Detail	Dinner purchase for 18 people in Valentine; the GSA rate for dinner was \$23 or \$414. Some prices were not legible; however, alcohol totaling \$52 was purchased.
44	Illegible	\$13.26	Illegible	Per credit card statement the purchase was made at a repair shop in Dunning that posted 6/9/15. Per the Bailey Lauerma summary it was for the rental car and NTC Director's rental RV.
45	6/7/2015	\$7.66	Detailed	Purchase for vehicle antifreeze with \$0.47 in tax paid.
46	6/5/2015	\$78.71	Partial Detail	Receipt is partially legible. Purchase was for food, and rope with \$1.11 in tax paid. Some purchases were unidentifiable.
47	6/4/2015	\$53.42	Detailed	Purchase was for 3 tonic waters, limes, and alcohol (2 bottles of gin) for \$45.96 with \$3.22 in tax paid.
48	6/4/2015	\$11.75	Detailed	Purchase was for Alcohol (beer) for \$10.98 with \$0.77 in tax paid.
49	6/8/2015	\$4.75	Partial Detail	Purchase for “groc” per receipt. It is unknown what was purchased.
50	6/4/2015	\$33.48	Detailed	Purchase for fuel.
51	6/4/2015	\$13.84	Illegible	Receipt is partially legible. Purchase was for a frappuccino mocha, and two other illegible items with \$0.77 in tax paid.
52	6/5/2015	\$44.23	Partial Detail	Purchase was for fuel.
53	No Date	\$6.33	Detailed	Purchase of firewood to be used as a prop.
54	6/9/2015	\$200.00	Partial Detail	No descriptions are noted on the receipt; appears to be for food. Per credit card statement, the charge was to the Coral Bar in Bassett and posted on 6/10/15. Per the Bailey Lauerma summary, it was for dinner for 8 people; GSA rate for dinner in Nebraska is \$23, or \$184 for 8 people; the amount before the tip was less than the GSA rate.
55	6/2/2015	\$65.30	Illegible	Purchase for fuel to fill Rental car.
56	Illegible	\$126.68	Illegible	Lunch purchased. Per Bailey Lauerma summary, it was for lunch for 9 people. Per the credit card statement, the charge was to a restaurant in North Platte that posted 6/8/15. The GSA rate for lunch in Nebraska is \$11 or \$99. \$27.68 was not reasonable.
57	6/6/2015	\$242.26	Partial Detail	Dinner purchased for 10 people that included alcohol for \$33.00. The GSA rate for dinner in Nebraska is \$23 per person or \$230. The amount without alcohol was less than GSA.
58	6/9/2015	\$14.68	Partial Detail	Purchase made at R. F. Goeke Variety Store in Atkinson, NE. Cannot identify items purchased or amounts charged.

NEBRASKA TOURISM COMMISSION
PHOTO SHOOT TRAVEL EXPENSE SUMMARY
 Calendar Year Ended December 31, 2015

EXHIBIT B

Item #	Date	Amount	Receipt	Description
59	Illegible	\$44.53	Illegible	Cannot identify what was purchased. Per Bailey Lauerman summary, it was lunch for 8 people. Per the credit card statement, the charge was to a convenience store in Norfolk that posted 6/10/15. The GSA rate for lunch in Nebraska is \$11 per person or \$88.
60	6/10/2015	\$14.76	Partial Detail	Lunch purchased for two at Burger King.
61	No Receipt	\$88.25	No Receipt	Per the credit card statement, the charge was to a convenience store in Crawford that posted 6/4/15.
62	No Receipt	\$57.11	No Receipt	Per the credit card statement, the charge was to a convenience store in Kearney that posted 6/4/15.
63	No Receipt	\$4.29	No Receipt	Per the credit card statement, the charge was to a convenience store in Lincoln that posted 6/11/15.
64	No Receipt	\$51.85	No Receipt	Per the credit card statement, the charge was to a convenience store in Lincoln that posted 6/11/15.
65	5/31/2015	\$196.74	Detailed	Purchase was for food for trip but also included alcohol (wine) for \$23.16 and a book for \$11.70 with \$2.45 in tax paid . This receipt noted it was paid by the Commission and reimbursed to the Commission by Bailey Lauerman, and then billed to Tourism by Bailey Lauerman.
66	No Date	\$13.57	Partial Detail	Purchase for food, but the restaurant and location was not identified. Per the Bailey Lauerman summary, the charge was for lunch in Mullen for one person. The GSA rate for lunch in Nebraska is \$11 per person. \$2.57 is not reasonable.
67	No Date	\$42.24	Partial Detail	Purchase for food at Red's Café in Mullen, NE. Per the Bailey Lauerman summary, the charge was for lunch in Mullen for 6 people. The GSA rate for lunch in Nebraska is \$11 per person or \$66.
68	6/10/2015	\$67.20	N/A	Mileage for Rich Claussen from Lincoln to Omaha and back to Lincoln for photo shoot. Mileage was reasonable based on auditor's calculation using a 10% reasonableness factor.
69	No Receipt	\$102.00	No Receipt	Per the Bailey Lauerman summary, this was for the fee for the Drive-in Movie Theatre to be allowed to do the photo shoot. Per the Bailey Lauerman expense reimbursement document, the ATM withdrawal was for \$100, done 6/7/15 and included a \$2 fee.
70	No Receipt	\$142.00	No Receipt	Per the Bailey Lauerman summary, this was for the fee for movie snacks and t-shirts (wardrobe) for the talent and extras. Per the Bailey Lauerman expense reimbursement document, the ATM withdrawal was for \$140, done 6/7/15 and included a \$2 fee.
71	6/9/2015	\$42.00	N/A	Mileage for Matt Emodi from Lincoln to Fremont with "talent" for the Fremont part of the photo shoot. APA calculated reasonable mileage using a 10% reasonableness factor for 66.4 miles but 75 miles were claimed. The difference was 8.6 miles at \$0.56 = \$4.82 .
72	6/9/2015	\$22.40	N/A	Mileage for Bailey Lauerman staff from Fremont to Omaha after the Fremont part of the photo shoot. Auditor calculated reasonable mileage using a 10% reasonableness factor, and mileage claimed was reasonable.
73	6/10/2015	\$44.80	N/A	Mileage for Bailey Lauerman staff from Omaha to Quarry Oaks (Ashland area) and back for photo shoot. Auditor recalculated reasonable mileage using a 10% reasonableness factor for 75 miles but 80 miles were claimed. The difference was miles at \$0.56 = \$2.80
74	7/17/2015	\$11.20	N/A	Mileage for Ron Sack for mileage to and from the edit, but the locations were not identified. Auditor could not determine if mileage was reasonable or not because the locations were not identified.
Total		\$5,207.79		

NEBRASKA TOURISM COMMISSION
SHAWN ACHOR SPEAKER FEE AGREEMENT
Calendar Year Ended December 31, 2015

ATTACHMENT A

2001460 Visit Nebraska. Visit Nice®

April 17, 2015

Jennifer Canzoneri (on behalf of Shawn Achor)
24102 Waterhole Lane
San Antonio TX 78261

Re: Letter-form agreement as to speaker fees and reimbursement of certain expenses associated with your participation as a speaker at the 2015 Nebraska Tourism Conference on October 20-22, 2015 at the River's Edge Convention Center in Columbus, Nebraska.

Nebraska Tourism Commission contract reference number: 15-91-045

Dear Shawn:

On behalf of the Nebraska Tourism Commission ("Commission"), this letter is intended to be the Commission's written offer to you regarding payment of your speaker fee, and reimbursement to you of certain expenses, associated with your participation as a speaker at the Event.

When accepted by you, this letter-form agreement (including any referenced attachments) will be the written instrument containing our entire agreement.

An original and one copy of this letter are enclosed. If you find the content of this letter acceptable, you may indicate your acceptance by signing and dating the copy and providing your Federal Identification number in the place provided at the end. **Return the signed copy to Micheal Collins, travel conference planner.** The original letter is yours to keep for your records.

Good Think Inc. is required under this contract and hereby agrees to use a federal immigration verification system to determine the work eligibility status of new employees physically performing services within the State of Nebraska. In this context, "new employees" means employees hired on or after the effective date of this contract. A "federal immigration verification system" means the electronic verification of the work authorization program authorized by the Illegal Immigration Reform and Immigrant Responsibility Act of 1996, 8 U.S.C. 1324a, known as the E-Verify Program, or an equivalent federal program designated by the United States Department of Homeland Security or other federal agency authorized to verify the work eligibility status of a newly hired employee.

A failure to adhere to these requirements violates the statutory requirements in Neb. Rev. Stat. §4-114 and as such will be deemed a substantial breach of this contract which could result in the Commission declaring Good Think Inc. to be in default on the contract.

The Commission agrees to pay your speaker fee/performance fee of \$44,000/Forty-Four Thousand Dollars and Zero cents for your participation at the Event.

- Breakout Session: "Opening Keynote: The Happiness Advantage: Linking Positive Brains to Performance," Wednesday, October 21, 2015 from 8:30 a.m.-10:00 a.m.

Presentation location: River's Edge Convention Center, 265 33rd Avenue, Columbus, Nebraska.

Hotel lodging for you for the evening of Tuesday, October 20, 2015 located at Ramada River's Edge will be billed directly to the Commission. Reservations for this evening have been made for you.

Nebraska Tourism Commission • 301 Centennial Mall South • 1st Floor Nebraska State Office Building
PO Box 98907 • Lincoln NE 68509-8907 • 1-800-228-4307

Contract Company

Deposit made on 5/21/15
20782537 (\$20,000.00)

\$24,000.00
due

NEBRASKA TOURISM COMMISSION
SHAWN ACHOR SPEAKER FEE AGREEMENT
Calendar Year Ended December 31, 2015

ATTACHMENT A

If the payee under this contract is a non-resident of the State of Nebraska (individuals in all cases, and partnership/corporate entities in many cases), and payments exceed \$600.00, then 4% (6% if the payments are \$28,000 or more) of the total paid to such payee for services under this contract will be deducted and withheld as Nebraska state income tax withholding. A Form 1099- MISC will be issued to the payee by the State of Nebraska for the year of such payment and withholding, showing the gross amount paid and the withheld state income tax amount. The payee may then claim credit for the withheld amount when filing a Nebraska income tax return. Section 77-2753 (2) (a) of the Nebraska Revised Statutes requires such withholding.

Please note, the Commission will not be responsible for nor reimburse you for personal expenses, long distance telephone charges, or alcoholic beverages. Please do not charge such expenses to your hotel room in those instances where your hotel room is being billed directly to the Commission.

The Commission will arrange for and provide the facility space for your presentation, and any audio/visual equipment needs you specify below. The Commission will not assume responsibility for providing audio/visual equipment needs that you do not specify below.

The Commission will provide copies of materials you may wish to hand out as part of your presentation; however, any such handouts you wish to be reproduced by the Commission must be submitted, in a finished form ready to copy, **no later than October 1, 2015**. Copying of any handout materials after such date will not be the responsibility of the Commission—but rather you will be responsible for furnishing 100 copies of any "late" handout you wish to distribute as part of your presentation.

Sincerely,



Micheal Collins, Tourism Conference Planner
Nebraska Tourism Commission

Contract: Company

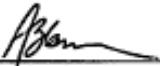
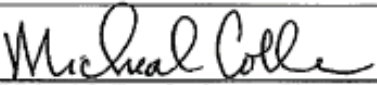
NEBRASKA TOURISM COMMISSION
SHAWN ACHOR SPEAKER FEE AGREEMENT
Calendar Year Ended December 31, 2015

ATTACHMENT A

Audio/Visual Equipment Needs (Check <u>only</u> the items you need the Nebraska Tourism Commission to furnish you for your presentation.)	
<input type="checkbox"/>	Laptop computer
<input type="checkbox"/>	LCD projector
<input type="checkbox"/>	Microphone
<input type="checkbox"/>	Audio hook-up
<input type="checkbox"/>	DVD player
<input type="checkbox"/>	Internet connection
<input type="checkbox"/>	Other (Please explain)

Acceptance Provision:

The undersigned acknowledges having read and understood this letter-form offer by the Commission, and signifies acceptance of, and agreement to, its terms by signing below.

 (Signature)	 (Micheal Collins, Conference Planner)
 (Date signed)	<u>4-17-15</u> (Date signed)
 (Federal Identification number)	

Contract: Company

NEBRASKA TOURISM COMMISSION
APPROPRIATIONS COMMITTEE LETTER
Calendar Year Ended December 31, 2015

ATTACHMENT B

Nebraska State Legislature

SENATOR HEATH MELLO

District 5

Legislative Address:
State Capitol
PO Box 94604
Lincoln, Nebraska 68609-4604
(402) 471-2710

5315 B Street
Omaha, Nebraska 68106
(402) 612-9569
hmello@leg.ne.gov



COMMITTEES

Chairperson - Appropriations
Nebraska Retirement Systems
Building Maintenance
Committee on Committees
Executive Board
Legislative Performance Audit
Legislature's Planning
Reference
Rules

February 29, 2016

Mr. John Chapo
Chairman, Nebraska Tourism Commission
Lincoln Children's Zoo
Lincoln, NE 68502

Dear Mr. Chapo:

The Appropriations Committee has had the opportunity to review the deficit request of the Nebraska Tourism Commission and would like to express concerns regarding the oversight and governance of the board and the financial future of the agency.

Under Nebraska Statute Section 81-3711, the Nebraska Tourism Commission is charged with preparing and approving a budget for the state agency. Contrary to statute, it is the Committee's understanding that deficit funding request was not discussed or approved by the Commission prior to its submission. It is also our understanding that the Commission did take the action of approving the request at the January meeting, but approval occurred after the formal submission to the Department of Administrative Services, after the request had already been considered by the Governor and when it was under consideration by the Appropriations Committee. We find the lack of discussion and approval of the deficit request prior to its submission to be a serious concern regarding the governance of the agency by the Commission.

At the 2016 public hearing before the Appropriations Committee regarding the agency budget request, Director McKillip was asked numerous questions regarding the expenditure of the agency cash funds and the long-term impact that those expenditures would have upon the balance of the State Visitor's Promotion Cash Fund. While the Appropriations Committee acknowledges the excellent growth in lodging tax revenues, the overall cash fund expenditures exceed the rate of revenue growth. The Appropriations Committee feels strongly that the Commission, together with Director McKillip and her staff, carefully develop a budget that is in keeping with cash fund revenues and adhere to that budget.

(Over)

NEBRASKA TOURISM COMMISSION
APPROPRIATIONS COMMITTEE LETTER
Calendar Year Ended December 31, 2015

ATTACHMENT B

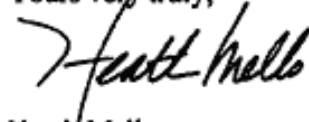
As you are aware, the state lodging tax is collected by the Department of Revenue to be deposited in the State Visitor's Promotion Fund, a cash fund in the state treasury. While cash funds have specific uses as defined in law, the use and management of these state funds are still subject to review by the Appropriations Committee during the state budgeting process. An appropriation is an absolute limitation on expenditures further enforced by the executive branch once appropriations go into effect. Cash funded state agencies are expected to correspond with good management procedures as established by the Department of Administrative Services, including the budgeting and management of cash funds.

In keeping with those concerns, the Appropriations Committee is considering adding language to the section of law governing the State Visitor's Promotion Cash Fund to authorize that the fund may also be used to enter into a contract with the Department of Administrative Services for the provision of administrative support, including the management of the agency's budget and finances. The provision of administrative functions for an independent board or commission has precedent in state government, with entities like the Nebraska Environmental Trust and agricultural commodity boards securing such services through another state agency.

The Appropriations Committee expresses its support for the Nebraska Tourism Commission and the tremendous work that you are doing, but that support does not mitigate concerns regarding the governance and oversight of the board and the long-term financial stability of the State Visitor's Promotion Cash Fund.

On behalf of the Appropriations Committee, I thank you for your time and consideration and look forward to entering into a discussion with you regarding the future of the Nebraska Tourism Commission.

Yours very truly,



Heath Mello
State Senator
District 5
Chairman, Appropriations Committee

CC:

Nebraska Tourism Commission Board Members
Governor Pete Ricketts
Gerry Oligmueller, DAS Budget Director
Nebraska Tourism Commission Director Kathy McKillip