

STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS



October 26, 2004

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Board of Commissioners
Howard County, Nebraska

Kate Witek
State Auditor
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Dear Commissioners:

Deann Haeffner, CPA
Deputy State Auditor
haeffner@mail.state.ne.us

We have audited the basic financial statements of Howard County (County) for the fiscal year ended June 30, 2004 and have issued our report thereon dated October 26, 2004. In planning and performing our audit of the basic financial statements of the County, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We also performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grants.

Don Dunlap, CPA
Asst. Deputy Auditor
ddunlap@mail.state.ne.us

During our audit, we noted certain matters involving internal control over financial reporting 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 areas as follows:

Pat Reding, CPA
Asst. Deputy Auditor
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COUNTY OVERALL

Tim Channer, CPA
Asst. Deputy Auditor
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1. Segregation of Duties

Mary Avery
SAE/Finance Manager
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Good internal control includes a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records. A system of internal control should include a proper segregation of duties so no one individual is capable of handling all phases of a transaction from beginning to end.

Dennis Meyer, CGFM
Subdivision Budget
Coordinator
dmeyer@mail.state.ne.us

We noted the offices of the County Treasurer, Clerk, Clerk of the District Court, Sheriff, Attorney, Planning and Zoning, and Highway Superintendent each had a lack of segregation of duties since one person could handle all aspects of processing a transaction from beginning to end. Due to a limited number of personnel, an adequate segregation of duties is not possible without additional cost. This was also noted in prior audits.

Mark Avery, CPA
Subdivision Audit
Review Coordinator
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We recommend the County review this situation. As always, the County must weigh the cost of hiring additional personnel versus the benefit of a proper segregation of duties.

COUNTY BOARD

2. Budget Document

Neb. Rev. Stat. Section 13-504 R.R.S. 1997 requires that an entity's budget document include, for the immediately preceding fiscal year, receipts from all sources and the amount of actual disbursements.

The fiscal year 2003-2004 actual numbers for receipts and disbursements as presented in Howard County's 2004-2005 budget document were not complete and accurate for the General, Road, Civil Defense, and Employment Security Act Funds. As a result, the 2003-2004 financial statements of Howard County required a net adjustment of \$168,632 in order to accurately reflect fund activity. It appears from documentation retained by the County that these budget inaccuracies were the result of problems encountered during the County's computerized budget file conversion process.

When budget documents are not complete and accurate not only is the County not in compliance with applicable State Statutes, but taxpayers also do not receive a true accounting of the County's fiscal operations.

We recommend the County work with its computer software vendor to correct the 2003-2004 actual receipts and disbursements as these figures will need to appear in the next two County budget documents as historical information. We further recommend the County implement budget review procedures which ensure that all figures in the County's budget document, both budget and actual, are complete and accurate.

County's Response: In reference to your letter, we contacted MIPS several times and this will be corrected. We also noticed that our monthly operating statement did not match the budget figures that were adopted. This has been corrected. Whether this occurred during the conversion process is not for certain as of this date, but MIPS will work with us to get everything corrected.

3. Unclaimed Property

Neb. Rev. Stat. Section 69-1307.01 R.R.S. 2003 states that, except as otherwise provided by law, all intangible personal property held for the owner by a public officer of the State or a political subdivision thereof, that has remained unclaimed by the owner for more than three years is presumed abandoned. The Unclaimed Property Act provides direction for reporting and submission of these items to the State Treasurer as unclaimed property.

As of June 30, 2004 the County Board had eight checks, totaling \$309, which had been outstanding for at least three years and had not been remitted to the State Treasurer in accordance with the Unclaimed Property Act.

We recommend the County Board comply with the Unclaimed Property Act and remit all unclaimed property in its possession in accordance with State Statute.

COUNTY SHERIFF

4. Balancing Procedures

The Sheriff's Accounting Manual, issued by the Auditor of Public Accounts, and sound accounting practice require at the close of each month's business, office assets (cash on hand, reconciled bank balance, and accounts receivable) be in agreement with office liabilities (fees, commissions, mileage, and refunds). Failure to perform balancing procedures can result in the misuse or loss of funds and can result in errors going undetected.

During our audit, we noted the Sheriff's office assets did not balance to office liabilities as of June 30, 2004. Records indicated office assets exceeded liabilities by \$403.

When balancing procedures are not complete and accurate, there is an increased risk of loss or misuse of County funds. This was also a comment in prior audits.

We strongly recommend the County Sheriff implement monthly balancing procedures to ensure office assets agree to office liabilities.

It should be noted this report is critical in nature since it contains only our comments and recommendations on the areas noted for improvement and does not include our observations on any strong features of the County.

Draft copies of this report were furnished to the County to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. All formal responses received have been incorporated into this report. Where no response has been included, the County declined to respond. Responses have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were not verified at this time, but will be verified in the next audit.

We appreciate the cooperation and courtesy extended to our auditors during the course of the audit.

This report is intended solely for the information and use of the County, the appropriate Federal and regulatory agencies, and citizens of the State of Nebraska, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Deann Haeffner
Deputy State Auditor