

STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS



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December 30, 2003

Kate Witek
State Auditor
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Board of Supervisors
Saunders County, Nebraska

Dear Supervisors:

Deann Haeffner, CPA
Deputy State Auditor
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We have audited the basic financial statements of Saunders County (County) for the fiscal year ended June 30, 2003 and have issued our report thereon dated December 30, 2003. 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.

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Pat Reding, CPA
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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:

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Mary Avery
SAE/Finance Manager
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COUNTY OVERALL

Segregation of Duties

Dennis Meyer, CGFM
Subdivision Budget
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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.

Mark Avery, CPA
Subdivision Audit
Review Coordinator
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We noted the offices of the County 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.

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Legal Counsel
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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

Overexpended Budgets

Neb. Rev. Stat. Section 23-918 R.R.S. 1997 gives the County Board the authority, during the fiscal year, to make additional appropriations or increase existing appropriations to address certain emergencies. Such appropriations are to be provided as temporary loans after a two-thirds vote of the County Board, with a resolution being entered on the proceedings of the County Board.

During our audit, we noted the Register of Deeds and Jail Functions of the General Fund had expenditures of \$835 and \$1,196, respectively, in excess of the approved budget for the fiscal year ended June 30, 2003, without the required resolution by the County Board. As a result, these Functions were expended over and above public awareness. A similar comment was noted in the prior audit.

We recommend the County Board review budget allowances prior to expenditures being made to ensure expenditures do not exceed budgeted amounts. Emergency appropriations should only be made by resolution of the County Board.

Flexible Spending Account

Good business practices suggest the County Board have established policies regarding the cash management of the flexible spending account.

We noted the County does not have a policy regarding how the account will be reimbursed if an employee terminates with a negative cash balance in the account. We further noted the account has earned interest and incurred banking charges, which have been left in the account, resulting in the account not reconciling to the authorized amount established by the County Board. The absence of a policy increases the risk that funds will be lost or misused.

We recommend the County Board establish a policy documenting the procedures to be followed in the event an employee terminates who is participating in the plan, and include in the policy procedures to be followed regarding bank charges and interest earned on the account.

COUNTY SHERIFF

Balancing Procedures

The Sheriff's Accounting Manual, issued by this office, 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).

During our audit, we noted the Sheriff's office did not perform asset-to-liability balancing procedures. At June 30, 2003, office records indicated assets were long \$797 compared to office liabilities. Failure to perform asset-to-liability balancing procedures can result in an increased risk of loss, theft, or misuse of funds and errors can more easily go undetected.

We recommend the County Sheriff implement documented monthly balancing procedures of all office assets including cash on hand, petty cash, accounts receivable, bank accounts, etc. to office liabilities.

REGISTER OF DEEDS

Cash Management

Sound accounting practices require that receipts be deposited intact and overpayments, if any, be made either via check or applied to a customer's account in order to provide full documentation of the transaction. Good internal control requires checks be restrictively endorsed immediately upon receipt.

During our audit, we noted that as overpayments were received by the Register of Deeds, the customers' checks were deposited at the local bank and then withdrawn immediately following, resulting in essentially the cashing of customer checks. Also, cash refunds were given either directly to the customers', if in the office, or sent, in cash, via the Postal Service. As a result, receipts were not deposited intact and there was an increased risk of loss or misuse of funds.

During a surprise cash count, it was noted checks received by the Register of Deeds were not restrictively endorsed immediately upon receipt. Holding checks unendorsed increases the risk of loss, theft, or misuse of County funds.

We recommend all receipts be deposited intact and that refunds be made either via check or applied to a customer's account. We strongly recommend the practice of refunding cash via the Postal Service be discontinued immediately. We further recommend all checks be restrictively endorsed immediately upon receipt.

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. The County declined to respond.

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,

A handwritten signature in cursive script that reads "Deann Haeffner CPA".

Deann Haeffner
Deputy State Auditor