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November 15, 2005

Board of Supervisors
Saunders County, Nebraska

Dear Supervisors:

We have audited the basic financial statements of Saunders County (County) for the fiscal year ended June 30, 2005 and have issued our report thereon dated November 15, 2005. 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.

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:

COUNTY OVERALL

Segregation of Duties

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.

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.

> 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 SHERIFF

Balancing Procedures

Good internal control requires procedures be in place to ensure assets (cash on hand, reconciled bank balance, and accounts receivable) are in agreement with office liabilities (fees, commissions, mileage, and refunds). In addition, individual accounts receivable balances should have accurate balances maintained to support the summary ledger balance.

We noted at June 30, 2005, office records indicated assets were long $507 compared to office liabilities. We also noted the accounts receivable report had balances for individuals which could not be supported as current accounts receivables. Failure to determine asset-to-liability balancing variances can result in an increased risk of loss, theft, or misuse of funds allowing errors to more easily go undetected.

> We recommend the County Sheriff implement documented monthly balancing procedures and follow up on unexplained variances.

REGISTER OF DEEDS

Cash Refunds

Good internal control requires refunds be made in check format to document the refund went to the correct individual or entity.

We noted that the Register of Deeds refunds overpayments to individuals and entities with cash. These refunds are made via the postal system. There is an increased risk of loss or misuse of funds when overpayments are refunded in cash.

> We recommend the Register of Deeds issue checks when refunding money via the postal system.

COUNTY ATTORNEY

Balancing Procedures

Good internal control requires procedures be in place to ensure assets (cash on hand, reconciled bank balance, and accounts receivable) are in agreement with office liabilities (fees, commissions, and restitution).

We noted at June 30, 2005, office records indicated assets were long $1,274 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 Attorney implement documented monthly balancing procedures of all assets to liabilities.

Unclaimed Property

Neb. Rev. Stat. Section 69-1310 R.R.S. 2003 requires presumed abandoned property be reported to the State Treasurer before November 1 of each year for the balances as of the preceding June 30th. Neb. Rev. Stat. Section 69-1307.01 R.R.S. 2003 defines presumed abandoned property as property unclaimed by the owner for more than three years.

We noted seven checks in the County Attorney's checking account totaling $295 which were outstanding over three years. Failure to follow up on old outstanding checks increases the risk of loss or misuse of funds.

> We recommend the County Attorney remit outstanding checks over three years old to the State Treasurer in compliance with State Statute.

COUNTY TREASURER

Deposits not Adequately Protected

Neb. Rev. Stat. Section 77-2318 R.R.S. 2003 requires the County Treasurer to obtain security for deposits exceeding the amounts insured by the Federal Deposit Insurance Corporation (FDIC).

We noted on June 30, 2005, the County Treasurer had deposits in a bank which exceeded FDIC coverage and securities obtained at the bank by $19,333. There is an increased risk of loss when bank deposits are not fully protected at all times.

> We recommend the County Treasurer maintain adequate pledged collateral to cover all deposits at all times.

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 and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

Deann Haeffner CPA

Deann Haeffner
Deputy State Auditor