

STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS



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April 4, 2006

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Board of Supervisors
Franklin County, Nebraska

Dear Supervisors:

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We have audited the basic financial statements of Franklin County (County) for the fiscal year ended June 30, 2005, and have issued our report thereon dated April 4, 2006. 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 BOARD

County Farm Lease Payments

Good internal control and sound accounting practices require provisions be in place to ensure timely remittance of all monies due the County. Furthermore, when entering contractual agreements requiring payment to the County, contract terms should include any remedies available for delinquent payments, including the collection of interest and/or penalties.

Lease payments on the Franklin County Farm were due in semi-annual installments. Payments were not collected in a timely manner. The following payments were made in relation to the required installments:

Due October 31, 2004		Due April 1, 2005	
Payment Date	Amount	Payment Date	Amount
October 7, 2004	\$ 8,719	April 11, 2005	\$ 8,978
December 1, 2004	8,978	May 2, 2005	8,978
December 15, 2004	259		
Total	\$ 17,956	Total	\$ 17,956

In addition, the December 15, 2004, payment included \$260 which was due April 1, 2005. Review of the County’s lease agreement for the County Farm noted that it did not include any provision for the collection of interest and/or penalties when payments are delinquent. As such, no interest and/or penalties were collected by the County on the late County Farm payments.

We recommend the County Board, in its next County Farm lease agreement, include provisions related to the collection of interest and/or penalties once payments become delinquent.

COUNTY SHERIFF

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 and trust accounts).

We noted the following:

- At June 30, 2005, office records indicated assets were long \$214 compared to office liabilities.

- \$3,100 in prisoner board money received in May 2005 had not been remitted to the County Treasurer as of March 2006.
- Amounts remitted to the County Treasurer for title inspections, handgun permits, and miscellaneous receipts did not consistently agree with the amounts received.

Failure to determine asset-to-liability balancing variances can result in an increased risk of loss, theft, or misuse of funds and allows errors to more easily go undetected.

We recommend the County Sheriff implement documented monthly balancing procedures and follow up on unexplained variances in a timely manner.

COUNTY NOXIOUS WEED CONTROL AUTHORITY

Good internal control requires payments be remitted to the County Treasurer on a timely basis. In addition, good internal control as well as sound accounting practices require that all rates charged to customers be adequately supported and documented.

We noted the following:

- Payments were remitted to the County Treasurer during only two months of the fiscal year; \$4,625 was remitted in late December 2004 and \$4,701 was remitted in January 2005. Prior to December 2004, a remittance had not been made since January 2004.
- The determination of rates charged to customers was not documented.

When payments are not remitted to the County Treasurer in a timely manner and rates charged to customers are not adequately supported and documented, there is an increased risk of loss, theft, or misuse.

We strongly recommend the County Noxious Weed Control Authority remit payments to the Treasurer on a monthly basis. Additionally, we recommend all rates charged customers, including chemical charges, be adequately supported including documentation of supplier, base price (cost), any mark-up rate applied, if applicable, etc.

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