

STATE OF NEBRASKA
Auditor of Public Accounts



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January 31, 2007

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, 2006, and have issued our report thereon dated January 31, 2007. 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

Purchasing Procedures

Neb. Rev. Stat. Section 23-135 R.R.S. 2003 states, in part, "... all claims against a county shall be filed with the county clerk within ninety days from the time when any materials or labor, which form the basis of the claims, have been furnished or performed ..." In addition, Neb. Rev. Stat. Section 23-903 R.R.S. 2003 requires the county budget present a complete financial plan for the period the budget is drawn for and include all proposed expenditures for the administration, operation, and maintenance of all offices, departments, activities, funds, and institutions of the county.

In April 2005, the County Board approved the purchase of a motor grader for a net cost after trade-in of \$81,900. The County Highway Department took receipt of this equipment following purchase approval. However, the vendor had entered into an agreement to not bill the County for this purchase until September 2005, a different budget year, and had documented this delayed invoicing agreement on a purchase agreement which stated "no invoice till 9/1/05 on balance due as per agreement with Saunders Co."

When filing of vendor claims is purposely delayed, it creates an appearance that such delays are carried out in order to circumvent the budget process.

We recommend the County Board review the referenced State Statutes and implement procedures to ensure all future claims are filed in a timely manner in order to prevent the appearance of impropriety.

Child Support Agreement Funding – Office of the Clerk of the District Court

Sound business practices and good internal control require timely consideration of personnel resources and uses particularly related to any grant reimbursement based funds.

The Clerk of the District Court traditionally has charged two full-time equivalents (FTEs) to the Child Support Agreement Clerk of District Court Fund. Throughout the fiscal year ended June 30, 2006, to avoid this Fund incurring a deficit fund balance the County transferred in a total of \$17,503 from the Inheritance Fund. During review of Federal expenditures and overall Fund activity it was noted the Clerk of the District Court's reimbursement requests support, based on time studies, only one FTE performed child support related activities.

When FTEs are charged to the Child Support Agreement Fund in excess of those supported by time studies the County will continue to need to subsidize the Fund via periodic fund transfers.

We recommend the County Board consider the above noted FTE resources and uses as it adopts future budgets.

COUNTY SHERIFF

DARE Activity

Neb. Rev. Stat. Section 23-1601 R.R.S. 1999 requires all money received from whatever source be deposited with the County Treasurer and paid out only on warrants issued by the County Board.

The Sheriff's Office maintains a Drug Abuse Resistance Education (DARE) checking account, the receipts and expenditures of which are not run through the County. DARE is a police officer-led series of classroom lessons that teach children from kindergarten through 12th grade how to resist peer pressure and live productive drug and violence-free lives. The volume of activity associated with this checking account could not be determined due to the Sheriff's office having shredded all related bank statements.

When all monies received are not appropriately accounted for there is an increased risk of loss, theft, or misuse of funds.

We recommend all monies received be deposited with the County Treasurer and paid out through the claim and warrant process.

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).

We noted at June 30, 2006, office records indicated assets were \$95 short compared to office liabilities.

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 all unexplained variances in a timely manner.

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 the following:

- At June 30, 2006, office records indicated trust balances totaled \$3,553; however, only \$2,534 could be specifically identified as payable to particular individuals.
- Seven of nine June 30, 2006, trust balances tested were not disbursed in a timely manner. Three of these balances had been inactive over one year and, as of January 25, 2007, remained unremitted.
- At June 30, 2006, office records indicated assets were short \$49.
- Instances were noted in which an individual overpaid the amount due, the resulting receipts were written for the restitution amounts due, rather than the actual amounts being received.

Without complete and accurate accounting for office activity there is an increased risk of loss, theft, or misuse of funds.

We recommend the County Attorney implement documented monthly balancing procedures to ensure all assets and liabilities are reconciled.

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 continue to note the Register of Deeds refunds overpayments to individuals and entities with cash. These refunds are made via the postal system.

Cash refunds increase the risk of loss, theft, or misuse of funds.

We continue to strongly recommend the Register of Deeds issue checks when refunding money via the postal system.

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
Assistant Deputy Auditor