



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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April 27, 2009

Board of Supervisors
Franklin County, Nebraska

Dear Supervisors:

We have audited the basic financial statements of Franklin County (County) for the fiscal year ended June 30, 2008, and have issued our report thereon dated April 27, 2009. 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 WEED SUPERINTENDENT

Chemical Sales

Attorney General's Opinion 107, issued May 5, 1983, asserts that Nebraska counties do not have authority to purchase items for resale to public citizens. In addition, sound accounting practice and good internal control require complete and accurate documentation be maintained to support all customer charges.

During our audit we noted the following:

- Over the past several years, the function of the Weed Superintendent has largely shifted from application of control chemicals to the direct sale of chemicals to customers.
- The Weed Superintendent maintains a customer price list, as well as a mark-up schedule for chemicals sold. However, two of the three customer billings tested included the sale of a particular chemical for which the charged mark-up did not agree to the provided schedule.

The Weed Superintendent's direct sale of chemicals is in conflict with the above cited Attorney General Opinion regarding the authority of Nebraska counties to purchase items for resale. In addition, without complete and accurate supporting documentation of charged prices there is an increased risk of inconsistent billing. This finding was reported in the prior audit.

We recommend the County Board, the County Attorney, and the Weed Superintendent review the above cited Attorney General's Opinion regarding the resale to private citizens and document, in Board Minutes, a determination regarding the applicability of this opinion to the unique circumstances of the Franklin County Weed Superintendent's operations. Additionally, we recommend the Weed Superintendent ensure appropriate mark-ups are used for all prices charged.

COUNTY SHERIFF

Balancing Procedures

Good internal control requires procedures be in place to ensure assets (cash on hand, reconciled bank statement, and accounts receivable) are in agreement with office liabilities (fees and trust accounts) and that appropriate receipts are remitted to the Treasurer's office and payments from the trust balance are correct.

As of June 30, 2008, office records indicated assets exceeded office liabilities by \$825. This has been a comment in prior audit reports.

In addition, the following discrepancies were noted during our audit:

- Undetected \$376 overpayment to the Clerk of the District Court.

- Undetected \$400 electronic funds transfer deposit from the Social Security Administration.
- Two receipts, totaling \$23, were deposited into the County Sheriff's bank account but not included in the subsequent remittance to the County Treasurer's office. Both receipts had been received in a prior fiscal year; this issue has been noted in past audits.

Without proper oversight of transaction activity and a failure to determine asset-to-liability balancing variances, there is 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, including an analysis of bank activity and a timely follow-up on any unexplained variances. In addition, known variances should be corrected and procedures should be reviewed to ensure adequate oversight of transaction activity.

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,

Signed Original on File

Deann Haeffner, CPA
Assistant Deputy Auditor