



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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June 21, 2019

Rachel Garver, Treasurer
Lancaster County
555 South 10th St, Rm 102
Lincoln, NE 68508

Dear Ms. Garver:

As you may know, the Nebraska Auditor of Public Accounts (APA) received a concern regarding the Lancaster County Treasurer's distribution of proceeds from fines and licenses to schools. The concern is that such monies have been distributed only once per year – not monthly, as required by State statute.

In response to that concern, the APA began limited preliminary planning work to determine if a full financial audit or attestation would be warranted. Pursuant thereto, the APA requested certain financial information regarding the distribution of fines and license collections by the Lancaster County Treasurer.

Based upon a review of the information provided, the APA has determined that a financial audit or attestation by our office is not required at this time. Nevertheless, during the course of the preliminary planning work, the APA noted a certain issue that merits corrective action, as presented below.

Distribution of Fines and Licenses to Schools

For many years, the Lancaster County Treasurer has distributed proceeds from fines and licenses to schools only once annually, normally in December. The following table illustrates such distributions for calendar years 2017 and 2018:

County	District Name	2018	2017
Gage	Freeman Public Schools	\$ 220.86	\$ 229.58
Lancaster	Lincoln Public Schools	\$ 2,326,160.66	\$ 2,036,849.39
Lancaster	Waverly School District 145	\$ 81,717.31	\$ 68,069.72
Lancaster	Malcolm Public Schools	\$ 18,331.18	\$ 15,649.53
Lancaster	Norris School District 160	\$ 89,889.04	\$ 76,334.50
Lancaster	Raymond Central	\$ 19,877.18	\$ 17,141.79
Otoe	Palmyra District OR1	\$ 14,311.58	\$ 12,550.25
Saline	Crete Public School	\$ 21,246.51	\$ 16,720.90
Saline	Wilber-Clatonia School	\$ 176.69	\$ 76.53
Seward	Milford Public School	\$ 1,899.38	\$ 1,454.00
Total Distributed		\$ 2,573,830.39	\$ 2,245,076.19

As of May 31, 2019, the Lancaster County Treasurer has received \$1,013,184.85 in fines and license receipts that needs to be distributed to the local schools.

Neb. Rev. Stat. § 79-1037 (Reissue 2014) provides the following:

(1) Each county treasurer shall add (a) all money received by the county treasurer of his or her county on account of fines and licenses, (b) the proceeds from the sale of schoolhouses, sites, or other property of a school district, and (c) all unexpended balances of proceeds of taxes levied by a district when the district has been taken by the United States for any defense, flood control, irrigation, or war project.

(2) The sum total referred to in subsection (1) of this section shall be distributed to the several districts of the county pro rata according to the enumeration of those children who are five through eighteen years of age for which the district is obligated to report on the census last returned by the districts.

Neb. Rev. Stat. § 23-1601 (Reissue 2012) describes the general duties of a County Treasurer. Section 4(a) of that statute requires the monthly distribution of all funds collected or received for, among other entities, a local school district:

On or before the fifteenth day of each month, the county treasurer (i) shall pay to each city, village, school district, educational service unit, county agricultural society, and rural or suburban fire protection district located within the county the amount of all funds collected or received for the city, village, school district, educational service unit, county agricultural society, and rural or suburban fire protection district the previous calendar month, including bond fund money when requested by any city of the first class under section 16-731, and (ii) on forms provided by the Auditor of Public Accounts, shall include with the payment a statement indicating the source of all such funds received or collected and an accounting of any expense incurred in the collection of ad valorem taxes, except that the Auditor of Public Accounts shall, upon request of a county, approve the use and reproduction of a county's general ledger or other existing forms if such ledger or other forms clearly indicate the sources of all funds received or collected and an accounting of any expenses incurred in the collection of ad valorem taxes.

(Emphasis added.) Additionally, sound accounting practices and a good internal control plan require procedures to ensure that funds collected or received for schools, including fines and license monies, are distributed timely.

Without such procedures, there is an increased risk of noncompliance with State statute.

We recommend the County Treasurer implement procedures to ensure the proceeds from fines and licenses are distributed monthly to schools in accordance with State statute.

Lancaster County Treasurer Response: Lancaster County's interpretation for many years has been to distribute fines and licenses to schools on an annual basis. After reviewing the statutes noted in the letter, Lancaster County will change the distribution to a monthly basis. We will use the previous year's census information to complete a distribution of funds collected from January 2019 to June 2019. This distribution to be sent out no later than July 15, 2019. In August it will be part of our monthly distribution.

* * * * *

The preliminary planning work that resulted in this letter was designed primarily on a test basis and, therefore, may not bring to light all existing weaknesses in the entity's policies or procedures.

Draft copies of this letter were furnished to the entity to provide its management with an opportunity to review and to respond to the comment and recommendation contained herein. The formal response received has been incorporated into the letter.

If you have any questions regarding the above information, please contact our office.

Sincerely,

A handwritten signature in cursive script that reads "Mary Avery". The signature is written in black ink and is positioned to the left of the typed name and contact information.

Mary Avery
Special Audits and Finance Manager
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