



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Megan Williams, County Treasurer
York County
510 N. Lincoln Avenue – 1st Floor
York, NE 68467

Dear Ms. Williams:

As you may know, the Nebraska Auditor of Public Accounts (APA) has received concerns regarding the York County (County) Treasurer’s office procedures and various distributions. As a result, the APA began limited preliminary planning work to determine if a full financial audit or attestation would be warranted. Pursuant thereto, the APA obtained financial records and other relevant documentation from the County Treasurer. Based on the outcome of this preliminary planning work, including an analysis of the information obtained, the APA has determined that a separate financial audit or attestation is unnecessary at this time.

Nevertheless, during the course of the preliminary planning work, the APA noted certain issues that merit corrective action. The following comments and recommendations, which have been discussed with the appropriate members of the County and its management, are intended to improve internal control or result in other operating efficiencies.

Comments and Recommendations

1. Homestead Exemption Distribution Errors

Each year, the County Treasurer’s office receives six payments from the State of Nebraska (State) to offset property taxes for certain taxpayers who qualify for homestead exemption, as allowed per Neb. Rev. Stat. §§ 77-3501 through 77-3529 (Reissue 2018, Cum. Supp. 2022, Supp. 2023). Homestead exemption is then distributed to the subdivisions similar to property taxes paid by the taxpayer.

The 2022 homestead exemption credit was paid to the County from February 2023 through July 2023. The original homestead exemption amount, as reported on the 2022 Certificate of Taxes Levied (CTL), was \$584,205; however, the amount actually received from the State for 2022 was \$581,110, a difference of \$3,095 due to tax corrections being reported to the State.

During testing of the 2022 homestead exemption distributions, we noted multiple errors that resulted in all subdivisions being over- or underpaid. The following table shows the total over- or underpayments for each entity:

Entity	Fund	Overpayment Dec 2022 Tax Corrections Note 2	Underpayment May 2023 Tax Corrections Note 2	Net Over/(Under) Payments
York School District 12	6112; 6212; 6312; 6412	\$ 1,342.12	\$ (4,057.37)	\$ (2,715.25)
York	8608	313.82	(1,049.19)	(735.37)
County General & Highway Allocation Capital Projects Funds	100; 3700	349.35	(749.71)	(400.36)
Southeast Community College	7100; 7200; 7202	147.61	(317.13)	(169.52)
Upper Big Blue Natural Resource District	7300	34.65	(74.50)	(39.85)
Educational Service Unit 6	6906; 7006; 7016	23.90	(52.92)	(29.02)
York County Agricultural Society	9200	6.16	(13.32)	(7.16)
Heartland School District 96	6196; 6296; 6396	136.81	-	136.81

Entity	Fund	Overpayment Dec 2022 Tax Corrections Note 2	Underpayment May 2023 Tax Corrections Note 2	Net Over/(Under) Payments
Henderson	8603; 8703	114.11	-	114.11
McCool Junction School District 83	6183; 6283; 6383	64.47	-	64.47
Centennial School District 67R	6167; 6269; 6367; 6467	64.16	-	64.16
Bradshaw	8601; 8701	40.52	-	40.52
Cross County School District 15	6115; 6216; 6315	35.39	-	35.39
Community Redevelopment Authority	8611	26.49	-	26.49
Waco	8607; 8707	23.48	-	23.48
Benedict	8600	13.44	-	13.44
McCool Junction	8605; 8705	9.78	-	9.78
Gresham	8602	9.03	-	9.03
County Ambulance Fund	5502	5.31	-	5.31
Other Entities and Funds – <i>Note 1</i>	Various	14.99	-	14.99
		\$ 2,775.59	\$ (6,314.14)	\$ (3,538.55)

Note 1: Other Entities and Funds includes other over- and underpayments less than \$5 that have been summed together in the table.

Note 2: These amounts are after the 1% commission retained by the County Treasurer.

The over- and underpayments noted in the table above are due to the following errors:

- In December 2022, the County made tax corrections to correct the levy for the McCool Junction School District 83 bond fund. An incorrect levy was inadvertently set in the system for this bond fund. To correct the issue, multiple tax corrections were completed, and several of these tax corrections included a correction to the homestead exemption amount for tax districts 40 and 300.

The homestead exemption corrections appear to have been entered properly into the system; however, the County Treasurer failed to report the homestead exemption corrections to the Nebraska Department of Revenue on the Amended Homestead Exemption Summary Certificate (Form 458X). As a result, the State did not adjust the homestead exemption payments for these corrections.

In February 2023, the County received the first payment, totaling \$97,367. This payment is one sixth of the original CTL amount. If the December 2022 tax corrections had been reported properly to the State, the amount paid from the State should have been \$96,900.

After the first payment was received, the County Treasurer distributed the February 2023 homestead exemption funds. The amount distributed by the County Treasurer was \$96,900 and appears appropriate. The remaining funds of \$467 were held in the homestead exemption holding fund. This would have been proper if the December 2022 tax corrections were reported to the State and either the State adjusted a subsequent payment or the overage was remitted back to the State. However, a year later in February 2024, the \$467 that was held in the holding fund was distributed to all entities. This resulted in an overpayment, totaling \$462 (99% x \$467), to all entities because the County Treasurer’s accounting system allocates the overage proportionally based on a percentage of homestead exemption per entity divided by the total homestead exemption. These overpayments are summarized in the “Overpayment Dec 2022 Tax Corrections” column in the table above.

- After the February 2023 distribution, the County Treasurer distributed the March through July 2023 funds based on the uncorrected amounts. As a result, the County Treasurer distributed \$486,837 when only \$484,500 should have been distributed, a difference of \$2,337. This resulted in an overpayment, totaling \$2,314 (99% x \$2,337), to all entities because the County Treasurer’s accounting system allocates the overage proportionally based on a percentage of homestead exemption per entity divided by the total homestead exemption. These overpayments are summarized in the “Overpayment Dec 2022 Tax Corrections” column in the table above.

The total overpayment from February through July 2023, resulting from the December 2022 tax corrections, was \$2,776 (\$462 + \$2,314). This amount is after the 1% commission was retained by the County Treasurer.

- In May 2023, the County approved additional tax corrections that impacted the homestead exemption for parcels located in tax district 5.

While a Form 458X was submitted to the Nebraska Department of Revenue, the incorrect amount was reported on that form, and a reduction of \$3,095 was reported when it should have been an increase of \$3,283. The County Treasurer reported the reduction in net taxes due from the taxpayer rather than the increase to homestead exemption. The table below summarizes these tax corrections.

Tax Correction #	Homestead Exemption	Net Tax Owed
11-23R	\$ 2,275.30	\$ (2,145.30)
12-23R	(468.90)	442.10
13-23R	1,476.34	(1,391.98)
Totals	\$ 3,282.74	\$ (3,095.18)

As a result, the State adjusted the last payment in July 2023 for a reduction of \$3,095 rather than an increase of \$3,283, resulting in an error of \$6,378. When the July 2023 funds were distributed, this resulted in all entities in tax district 5 being underpaid, a total of \$6,314 (99% x \$6,378). These underpayments are summarized in the “Underpayment May 2023 Tax Corrections” column in the over- and underpayment table above.

Neb. Rev. Stat. § 77-3523 (Cum. Supp. 2022) states the following:

The county treasurer and county assessor shall, on or before November 30 of each year, certify to the Tax Commissioner the total tax revenue that will be lost to all taxing agencies within the county from taxes levied and assessed in that year because of exemptions allowed under sections 77-3501 to 77-3529. The county treasurer and county assessor may amend the certification to show any change or correction in the total tax that will be lost until May 30 of the next succeeding year. If a homestead exemption is approved, denied, or corrected by the Tax Commissioner under subsection (2) of section 77-3517 after May 1 of the next year, the county treasurer and county assessor shall prepare and submit amended reports to the Tax Commissioner and the political subdivisions covering any affected year and shall adjust the reimbursement to the county and the other political subdivisions by adjusting the reimbursement due under this section in later years. The Tax Commissioner shall, on or before January 1 next following such certification or within thirty days of any amendment to the certification, notify the Director of Administrative Services of the amount so certified to be reimbursed by the state. Reimbursement of the funds lost shall be made to each county according to the certification and shall be distributed in six as nearly as possible equal monthly payments on the last business day of each month beginning in January. The Director of Administrative Services shall, on the last business day of each month, issue payments by electronic funds transfer. Out of the amount so received the county treasurer shall distribute to each of the taxing agencies within his or her county the full amount so lost by such agency, except that one percent of such amount shall be deposited in the county general fund and that the amount due a Class V school district shall be paid to the district and the county shall be compensated one percent of such amount. Each taxing agency shall, in preparing its annual or biennial budget, take into account the amount to be received under this section.

Neb. Rev. Stat. § 23-1601(4)(a) (Reissue 2022) provides the following, in relevant part:

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, rural or suburban fire protection district, and township located within the county the amount of all funds collected or received for the city, village, school district, educational service unit, county agricultural society, rural or suburban fire protection district, and township the previous calendar month, including bond fund money when requested by any city of the first class under section 16-731

Good internal controls require procedures to ensure distribution of property taxes, including tax credits and homestead exemptions, are properly distributed to political subdivisions.

Without such procedures, there is an increased risk of not only noncompliance with State statute but also political subdivisions not receiving the correct amount of funding.

We recommend the County Treasurer correct the distribution errors noted. Further, we recommend the County Treasurer implement procedures to ensure property taxes, including tax credits and homestead exemptions, are distributed properly to political subdivisions.

2. 5% Gross In-Lieu Distribution Errors

The County Treasurer’s office receives annual payments in lieu of taxes – commonly referred to as “5% Gross In-Lieu” payments – from the Perennial Public Power District (Perennial PPD) and the Nebraska Public Power District. During the fiscal year ended June 30, 2023, the County received \$117,558 and \$689,008, respectively, from these public power districts.

We tested both distributions made by the County Treasurer; however, during our testing of the distribution for the Perennial PPD, we noted that multiple political subdivisions were either over- or underpaid. The following table shows the total over- or underpayments for each entity:

Fund Number	Entity/County Fund	Over/(Under) Payment
100	County General Fund	\$ 30
3700	Highway Allocation Capital Projects Fund	4
5502	County Ambulance Fund	123
6167	Centennial School District 67	(4,480)
6183	McCool Junction School District 83	(1,478)
6196	Heartland School District 96	4,715
6269	Centennial School District 67 Bond	(467)
6283	McCool Junction School District 83 Bond	(20)
6296	Heartland School District 96 Bond	811
6367	Centennial School District 67 Sinking	(350)
6383	McCool Junction School District 83 Sinking	(51)
6396	Heartland School District 96 Sinking	72
8601	Bradshaw	2,163
8602	Gresham	(4,483)
8604	Lushton	117
8701	Bradshaw Bond	3,294
Total		\$ -

The over- and underpayments noted in the table above are due to the following errors:

- The County Treasurer failed to include the levies of all school districts within the Village of Lushton, as required by Article VIII, § 11, of the Nebraska Constitution and Neb. Rev. Stat. § 70-651.04 (Reissue 2018), when calculating the distribution of the 5% Gross In-Lieu payment received from the Perennial PPD.
- The County Treasurer inappropriately used the tax levies for the Village of Bradshaw rather than the Village of Gresham. As a result, the Village of Bradshaw received 5% Gross In-Lieu funds to which it was not entitled while the Village of Gresham did not receive any 5% Gross In-Lieu funds.

Article VIII, § 11, of the Nebraska Constitution states, in relevant part, the following:

The legislature may require each such public corporation to pay to the treasurer of any county in which may be located any incorporated city or village, within the limits of which such public corporation sells electricity at retail, a sum equivalent to five (5) per cent of the annual gross revenue of such public corporation derived from retail sales of electricity within such city or village, less an amount equivalent to the 1957 payments in lieu of taxes made by such public corporation with respect to property or operations in any such city or village. The payments in lieu of tax as made in 1957, together with any payments made as authorized in this section shall be in lieu of all other taxes, payments in lieu of taxes, franchise payments, occupation and excise taxes, but shall not be in lieu of motor vehicle licenses and wheel taxes, permit fees, gasoline tax and other such excise taxes or general sales taxes levied against the public generally.

So much of such five (5) per cent as is in excess of an amount equivalent to the amount paid by such public corporation in lieu of taxes in 1957 shall be distributed in each year to the city or village, the school districts located in such city or village, the county in which such city or village is located, and the State of Nebraska, in the proportion that their respective property tax mill levies in each such year bear to the total of such mill levies.

Section 70-651.04 states the following:

All payments which are based on retail revenue from each incorporated city or village shall be divided and distributed by the county treasurer to that city or village, to the school districts located in that city or village, to any learning community located in that city or village for payments distributed prior to September 1, 2017, and to the county in which may be located any such incorporated city or village in the proportion that their respective property tax levies in the preceding year bore to the total of such levies, except that the only learning community levies to be included are the common levies for which the proceeds are distributed to member school districts pursuant to section 79-1073.

Additionally, good internal controls require procedures to ensure that the distribution of 5% Gross In-Lieu taxes is calculated in accordance with State statute by including the correct levies for all school districts located within each municipality, and the correct municipalities are included in the calculation.

Without such procedures, there is an increased risk of not only political subdivisions not receiving the appropriate amount of funding but also loss or misuse of funds.

We recommend the County Treasurer correct the erroneous distributions. Additionally, we recommend the County Treasurer implement procedures to ensure future distributions are calculated correctly and in compliance with the Nebraska Constitution and State statute.

3. Interest Not Received Timely

During testing, we noted that the County Treasurer had failed to receipt in a timely manner bank interest earned, totaling \$35,736, for one bank account as of June 30, 2023. The following table details when the interest was earned and when it was received:

Month Earned	Receipt Date	Amount
8/31/2022	9/5/2023	\$ 1,657
9/30/2022	9/5/2023	1,508
10/31/2022	9/5/2023	2,011
11/30/2022	9/5/2023	3,172
12/31/2022	9/5/2023	2,708
1/31/2023	9/5/2023	3,362
2/28/2023	9/5/2023	2,947
3/31/2023	9/5/2023	4,651
4/30/2023	9/5/2023	4,211
5/31/2023	9/5/2023	4,975
6/30/2023	9/5/2023	4,534
Total		\$ 35,736

Neb. Rev. Stat. § 23-1601(1) (Reissue 2022) states the following:

It is the duty of the county treasurer to receive all money belonging to the county, from whatsoever source derived and by any method of payment provided by section 77-1702, and all other money which is by law directed to be paid to him or her. All money received by the county treasurer for the use of the county shall be paid out by him or her only on warrants issued by the county board according to law, except when special provision for payment of county money is otherwise made by law.

Good internal controls and sound business practices require procedures to ensure that all interest earned by the County Treasurer is receipted properly and timely into the accounting system.

Without such procedures, there is an increased risk for not only loss, misuse, or theft of County funds but also financial records of the County not reflecting properly all cash receipts.

We recommend the County Treasurer implement procedures to ensure all interest earned by the County Treasurer is received properly and timely into the accounting system.

4. Fines and Licenses Distributions

During our testing of the County Treasurer’s distribution of fines and licenses, we noted the following issues.

- Fines and licenses collected, as detailed in the table below, were not distributed timely.

Month Collected	Amount	Date Distributed
July 2021 - December 2021	\$ 4,693.64	10/20/2022
May 2022 - June 2022	49,763.02	10/20/2022
July 2022	14,163.50	10/20/2022
August 2022	12,636.26	10/20/2022
November 2022	16,436.36	1/5/2023
April 2023	17,901.63	6/2/2023
May 2023	13,910.50	8/1/2023
Total	\$ 129,504.91	

- Fines and licenses collected in March 2023, totaling \$11,866, were distributed twice, once on April 3, 2023, and again on May 3, 2023.
- The County Treasurer incorrectly recorded three drug forfeitures, totaling \$19,894, to the Fines and Licenses Fund. These funds were then subsequently distributed to the schools in error. As noted in **Comment and Recommendation Number 6** (“Negative Fund Balance”) herein, a journal entry was performed on June 23, 2023, moving two of the drug forfeitures, totaling \$18,644, to the correct fund; however, this resulted in a negative balance in the Fines and Licenses Fund as of June 30, 2023.

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 2022) 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, rural or suburban fire protection district, and township located within the county the amount of all funds collected or received for the city, village, school district, educational service unit, county agricultural society, rural or suburban fire protection district, and township 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, good internal controls and sound business practices require procedures to ensure the following: 1) distributions are made timely in accordance with State statute; 2) duplicate distributions are avoided; and 3) funds are receipted to the proper fund.

Without such procedures, there is not only an increased risk of loss, misuse, or theft of funds but also an increased risk of noncompliance with State statute.

We recommend that procedures are put in place to ensure the following: 1) distributions are made timely in accordance with State statute; 2) duplicate distributions are avoided; and 3) funds are receipted to the proper fund.

5. Holding Fund Balances

During our review of the balances of the County Treasurer’s holding funds, we noted the following issues regarding these balances as of June 30, 2023:

- As of June 30, 2023, the County Treasurer held a balance of \$3,533 in the Tax Sale Redemption Holding Fund, which is also the same amount that was held June 30, 2022. It was noted that \$194 of this amount was due to interest recorded between 2010 and 2019; however, the County Treasurer could not provide documentation to support the remaining \$3,339.
- The Partial Payments fund had an ending balance of \$13,799; however, the County Treasurer was unable to provide documentation to support \$14 of this balance. Additionally, we noted six balances, totaling \$5,047, that had been held for several months. The County Treasurer was not actively following up with old balances.
- As of June 30, 2023, the Treasurer was holding \$131,315 for five inheritance tax cases in which an order assessing inheritance tax had already been filed in May 2023 or prior. Out of these five cases, only two of them, totaling \$40,153, were transferred to the County’s Inheritance Tax Fund on December 19, 2023. As a result, \$91,162 was still being held by the County Treasurer as of March 8, 2024.

Good internal controls and sound accounting practices require procedures to ensure that money held by the County Treasurer is being disbursed or transferred in a timely manner and that adequate documentation is kept on file to support balances held.

Without such procedures, there is an increased risk of loss, misuse, or theft of County funds.

We recommend the County Treasurer implement procedures to ensure funds held by the County Treasurer are being disbursed or transferred in a timely manner and that adequate documentation is kept on file to support balances held.

6. Negative Fund Balance

During our review of the County’s fund balances as of June 30, 2023, we noted that the County Treasurer’s Fines and License Fund was overdrawn and had a negative \$4,097 fund balance. This negative balance was due to the County Treasurer incorrectly recording drug forfeitures and disbursing these funds to schools.

The table below summarizes the drug forfeitures that were coded to the Fines and License Fund:

Date Received	Date Distributed	Amount
10/17/2022	11/10/2022	\$ 12,825
1/23/2023	2/1/2023	5,819
Total		\$ 18,644

On June 23, 2023, the County Treasurer noticed that these had been coded incorrectly and performed a journal entry to move these drug forfeitures to the correct fund. As the balance of fines and licenses held in the fund was not greater than the amount of the journal entries, this resulted in a negative balance in the fund as of June 30, 2023.

Good internal controls and sound accounting practices require procedures to ensure that all funds held by the County Treasurer are sufficient to cover disbursements.

Without such procedures, there is an increased risk for loss, theft, or misuse of funds. Additionally, by allowing negative fund balances, the County Treasurer effectively provided an interest-free loan to whoever was responsible for repaying the negative balance.

We recommend the County Treasurer implement procedures to ensure sufficient funds are available before making disbursements from any fund.

7. Tax Reconciliation

We noted the County Treasurer did not perform an accurate reconciliation of total taxes to be collected, per the office’s system, to the original taxes, as certified by the County Assessor, to ensure that taxes were rolled over properly from the County Assessor to the County Treasurer, and tax corrections and collections were entered into the system properly. While reviewing the County Treasurer’s tax reconciliation as of June 30, 2023, for the last three tax years, we identified the following issues:

- The following variances between the County Assessor’s certified taxes and the County Treasurer’s “certified” amounts were noted:

	2020 Taxes	2021 Taxes	2022 Taxes
Original Taxes Certified by County Assessor	\$ 39,382,129.54	\$ 40,189,345.62	\$ 42,764,725.10
County Treasurer’s Certified Amount	39,367,150.32	40,188,748.76	42,128,075.48
December 2022 Tax Corrections	-	-	(636,638.21)
Unknown Variances	\$ 14,979.22	\$ 596.86	\$ 11.41

For 2020 taxes, the variance appears to be mainly due to the County Treasurer’s tax reconciliation starting in November or December 2021. As a result, tax corrections from December 2020 through November 2021 do not appear to be included in the reconciliation. For 2021 and 2022 taxes, the cause of the variances is unclear.

- After accounting for the unknown variances identified above and tax corrections made to the system, the following variances were noted between the system’s tax due amounts and the APA’s recalculated tax due amounts as of June 30, 2023.

As of June 30, 2023	2020 Taxes	2021 Taxes	2022 Taxes
County Treasurer’s Taxes Uncollected	\$ 2,750.26	\$ 6,475.34	\$ 14,986,045.83
APA’s Recalculated Taxes Due	461.26	6,475.34	14,985,343.20
Unknown Variances	\$ 2,289.00	\$ -	\$ 702.63

- The “County Treasurer’s Taxes Uncollected” category for 2021, totaling \$6,475.34, includes a negative tax due of \$955.98. Any overpayment of taxes resulting from a tax correction should be refunded to the taxpayer, and the tax amount due in the system should be \$0.

Neb. Rev. Stat. § 77-1710 (Reissue 2018) states, in part, the following:

The county treasurer shall maintain a record of the total tax assessed and monthly total tax collections.

Good internal controls require procedures for periodic tax reconciliations to ensure that the total taxes certified by the County Assessor are collected correctly and posted to the appropriate tax year, and tax corrections are entered properly into the system.

Without such procedures, there is an increased risk that neither taxes due nor taxes collected will be reflected properly in the County Treasurer’s system.

We recommend the County Treasurer implement procedures to ensure a complete and accurate tax reconciliation is completed timely, at least monthly, for the previous five tax years.

8. Motor Vehicle Pro-Rate Distribution Issues

We noted that the distributions of Motor Vehicle Pro-Rate made in March and June 2023 were not calculated properly. For these distributions, the County Treasurer must enter total taxes levied by an entity into the system; however, the following errors were noted:

- Total taxes levied for the Village of McCool Junction and Thayer Cemetery were not entered.
- Total taxes levied by Waco Cemetery were entered incorrectly due to the County Treasurer erroneously entering Thayer Cemetery levied taxes in place of Waco Cemetery’s taxes.
- Total taxes levied by Benedict Fire District and McCool Junction Fire District were entered incorrectly.

The following table summarizes the over- and underpayments due to these errors:

Entity	Fund(s)	Over/(Under) Payment
McCool Junction	8605; 8705	\$ (131.09)
Thayer Cemetery	7503	(9.24)
Waco Cemetery	7502	(3.96)
York Public Schools	6112; 6312; 6412	41.17
York County	100; 3700	24.15
Centennial Schools 67	6167; 6367	11.78
Heartland Comm. Schools 96	6196; 6396	10.66
Southeast Comm College	7100; 7200	10.21
McCool Junction Schools 83	6183; 6383	9.38
Cross County Schools 15	6115; 6315	6.49
York	8608; 8708	6.21
York School Bond	6212	4.89
Upper Big Blue NRD	7300	2.39
High Plains Comm. Schools 75	6175; 6375	2.19
Exeter-Milligan Schools 1	6120; 6320	2.13
Henderson	8603; 8703	1.79
ESU 6	6906; 7006; 7016	1.48
Heartland Comm. School Bond	6296	1.38
Centennial Schools Bond	6267; 6269	1.14
Cross County School Bond	6216	1.10
County Ambulance	5502	1.00
Other Entities and Funds – Note	Various	4.75
Total		\$ -

Note: Other Entities and Funds includes other over- and underpayments less than \$1 that have been summed together in the table.

Neb. Rev. Stat. § 60-3,202(3) (Reissue 2021) states the following:

Upon receipt of motor vehicle tax funds from the State Treasurer, the county treasurer shall distribute such funds to taxing agencies within the county in the same proportion that the levy of each such taxing agency bears to the total of such levies of all taxing agencies in the county.

Additionally, good internal control requires procedures to ensure that Motor Vehicle Pro-Rate distributions are calculated in accordance with State statute.

Without such procedures, there is an increased risk that political subdivisions in the County will not receive the proper amount of funding, leading to possible loss or misuse of funds.

We recommend the County Treasurer correct the errors noted. Furthermore, we recommend the County Treasurer implement procedures to ensure future distributions of Motor Vehicle Pro-Rate are calculated correctly.

9. School Treasurer Surety Bonds Not on File

Our review of school district funds revealed that, for two school districts located in the County, a current surety bond was not on file with the County Treasurer.

Neb. Rev. Stat. § 11-107 (Reissue 2022) states the following:

The official bonds of all county, precinct and township officers shall be approved by the county board, except the official bonds of the county commissioners or supervisors, which shall be approved by the county judge. All such bonds shall be filed and recorded in the office of the county clerk, except the bonds of the county clerk and members of the county board, which shall be filed and recorded in the office of the county judge. The official bond of a school district treasurer must be approved by the president and secretary, and filed in the office of the treasurer of the county.

(Emphasis added.) Neb. Rev. Stat. § 23-1601(4)(c) (Reissue 2022) states the following:

If a school district treasurer has not filed an official bond pursuant to section 11-107 or evidence of equivalent insurance coverage, the county treasurer may hold funds collected or received for the school district until such time as the bond or evidence of equivalent insurance coverage has been filed.

Good internal controls require procedures to ensure that all surety bonds are on file with the County Treasurer, as required by State statute. Without such procedures, there is an increased risk of noncompliance with State statute.

We recommend the County Treasurer implement procedures to ensure that all surety bonds are on file, as required by State statute.

10. Control Environment and Other Issues

We noted that the County Treasurer lacked a segregation of duties throughout the office, as one person could handle all aspects of processing a transaction from beginning to end. A lack of segregation of duties increases the risk of possible errors or irregularities; however, due to a limited number of personnel, an adequate segregation of duties may not be possible without additional cost.

Furthermore, we noted the following issues:

- Multiple reports in the Department of Motor Vehicle's vehicle title and registration system, VicToRy, were not reviewed by the County Treasurer. Such reports include: Pending Tasks, Open Balances, and Overpayment Revenue.
- The County Treasurer was unable to provide detailed Automated Clearing House (ACH) batch summary reports to support which bank accounts were paid monthly collections. We were able to obtain the ACH details directly from the bank for our testing.
- The County Treasurer could provide the ACH authorization forms for only two political subdivisions. As a result, the APA was unable to verify the bank accounts that received funds agreed to an authorization form.
- The County received \$5,629 as a refund of excess tax increment financing (TIF) funds that should have been distributed to political subdivisions as property taxes. However, these funds were receipted into the County's General Fund.
- The County Treasurer failed to remit all-terrain vehicle (ATV) sales tax to the State in a timely manner for January 2023. As a result, the County incurred interest and penalties, totaling \$309.

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. Furthermore, those same controls should include procedures to ensure the following: 1) system reports, including pending or error reports, are reviewed periodically to ensure accounting records are complete and accurate; 2) ACH authorization forms and detailed ACH batch summary reports are reviewed to ensure the proper parties and accounts were paid and maintained for subsequent review; 3) funds are recorded to the proper fund and properly distributed; and 4) funds are remitted timely to avoid unnecessary penalty, interest, and other fees.

Without such procedures, there is an increased risk of loss, misuse, or theft of public funds.

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. Furthermore, we recommend the County Treasurer implement procedures to ensure the following: 1) system reports, including pending or error reports, are reviewed periodically to ensure accounting records are complete and accurate; 2) ACH authorization forms and detailed ACH batch summary reports are reviewed to ensure the proper parties and accounts were paid and maintained for subsequent review; 3) funds are recorded to the proper fund and properly distributed; and 4) funds are remitted timely to avoid unnecessary penalty, interest, and other fees.

* * * * *

Our audit procedures are designed primarily on a test basis and, therefore, may not bring to light all weaknesses in policies or procedures that may exist. Our objective is, however, to use the knowledge gained during our work to make comments and recommendations that we hope will be useful to the County Treasurer.

Draft copies of this letter were furnished to the County Treasurer to provide its management with an opportunity to review and to respond to the comments and recommendations contained herein. See **Attachment A** for the County Treasurer's formal responses to the above comments and recommendations. Such response has been objectively evaluated and recognized, as appropriate, in the letter. A response that indicates corrective action has been taken was not verified at this time.

This communication is intended solely for the information and use of the County Treasurer and its management. It is not intended to be, and should not be, used by anyone other than these specified parties. However, this communication is a matter of public record, and its distribution is not limited.

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

Audit Staff Working on this Examination:

Craig Kubicek, CPA, CFE – Deputy Auditor
Dakota Christensen, CPA, CISA, CFE – Audit Manager
Mason Culver – Auditor-In-Charge
Derek Baumfalk – Auditor II
Kyle Hanna – Auditor II
Kelsey Lutz – Examiner

Sincerely,



Craig Kubicek, CPA, CFE
Deputy Auditor
Auditor of Public Accounts
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Lincoln, NE 68509
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cc: Randy Obermeier, Board Chairperson

OFFICE OF
York County Treasurer
510 LINCOLN AVE

MEGAN WILLIAMS, Treasurer
MICHELLE STEIGER, Deputy Treasurer

YORK, NEBRASKA 68467
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mwilliams@yorkcountyne.gov

The following is how the Treasurer will ensure the findings of the State Audit will be corrected:

Homestead- Treasurer will ensure that the amount listed for Homestead exemptions that are entered by the Assessor are correct on the 458X by running a Tax Correction Listing and comparing the amounts before submitting to Department of Revenue. 2022 Homestead will be corrected as soon as the Board approves claim.

5% Gross in Lieu Distribution Errors-Treasurer has implemented an Excell Spreadsheet to compare with the Tool in Mips to ensure the amounts being distributed are correct. 2022 5% Gross in Lieu have been corrected.

Interest Not Receipted Timely-Treasurer has created a Month End check list with all Banks listed to ensure interest is not missed. This was corrected on 9/5/2023.

Fines and Licenses-Treasurer has created a Month End check list to ensure money get distributed correctly. Treasurer will run a Month End report for Fines and License to ensure correct amount is distributed. Treasurer will ensure money that gets deposited into the Fines and License Funds are correct before distributing to schools.

Holding Fund Balances-Treasurer has created a procedure to ensure monies that are deposited into Tax Sale Redemption fund are taken out same business day. \$3533 was from past years and has been moved into County General until/if it is claimed. Treasurer has created a procedure to ensure Partial Payment Fund is actively followed up on to ensure we do not keep old balances for more than a year. \$14 was from past years and has been moved into County General until/if it is claimed. Treasurer has created a spreadsheet of Tentative Inheritance Tax to match with the orders and will send report to County Court to check if any Tentative Inheritance Taxes have been finalized monthly. \$91162 was transferred to Inheritance tax after final orders were received.

Tax reconciliation-Treasurer has fixed spreadsheets to reflect the correct numbers and will ensure that tax reconciliation is completed monthly.

Motor Vehicle Pro-Rate-Treasurer will ensure that the Tax Levied amount that is entered into Mips matches the CTL provided from Assessor. 2022 Motor Vehicle pro-rate has been corrected.

School Surety Bonds-Treasurer will create a check list to ensure we have all current School Surety Bonds.


Open Balance Reports, Pending Tasks and Overpayment reports is a part of Month End checklist.

Treasurer will retain all ACH batch summary reports

Treasurer has distributed \$5629 TIF refund to correct political subdivision.

Treasurer has corrected the ATV sales tax payment to the State and has since been abated for the amount of \$309.

Sincerely,


Megan Williams
York County Treasurer