



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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April 11, 2008

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, 2007, and have issued our report thereon dated April 11, 2008. 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 HIGHWAY SUPERINTENDENT

Township Billings

Sound business practices require interlocal agreements provide a complete and accurate representation of agreement terms, including rates to be charged for performed services. In addition, sound business practices as well as good internal control require adequate supporting documentation be retained to support all components of amounts billed, including hours and rates.

During our audit we noted the following:

- Interlocal agreements between Franklin County and various Franklin County townships, which had originated in 1991, had not been updated to reflect a July 1, 2006, rate increase approved by the Board of Supervisors.
- Subsequent to the July 2006 rate increase some townships voiced financial hardship concerns. In response to those concerns, the Highway Superintendent made one-time adjustments to the number of actual hours billed to the townships for the period of January through June 2007. However, Franklin County Board minutes did not document any discussion by and/or authorization from the Board of Supervisors regarding financial hardships caused by their rate increase and any one-time adjustments to be granted. In addition, the Highway Superintendent did not retain documentation to support the basis and/or rationale for the one-time adjustments made to each townships' January through June 2007 billing.

When interlocal agreements are not current and accurate and documentation is not retained to support all components of billings, including hours, debit/credit adjustments, etc., there is an increased risk of improper billing resulting in loss of funds due the County.

We recommend: 1) interlocal agreements be updated to reflect current provisions, including rates; 2) adequate supporting documentation be maintained to support all billing components including hours billed; and 3) discussion and/or authorization from the Board of Supervisors regarding any billing adjustments, write-offs, etc. be properly authorized by the County Board and documented, as such, in the County Board minutes.

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 course of the past several years the function of the Weed Superintendent has largely shifted from application of control chemicals to the direct sale of such chemicals to customers.
- The Weed Superintendent maintains a customer price list, as well as a mark-up schedule for chemicals sold. However, during testing of customer billings the mark-up percentage for one chemical tested did not agree to the provided schedule and one chemical sale amount could not be traced to original purchase to determine whether selling price was in accordance with the provided schedule.

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

We recommend the County Board, the County Attorney, and the Weed Superintendent review the above cited Attorney General's Opinion regarding resale to private citizens and document, in the County 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 maintain complete and accurate supporting documentation for all prices charged.

COUNTY BOARD

Inventory Listings

Neb. Rev. Stat. Section 23-347 R.R.S 1997 requires all inventories be filed with the County Clerk within two calendar months after the close of each fiscal year (August 31st).

The County Sheriff maintains a separate inventory listing of Emergency Management equipment; as of June 30, 2007, this equipment totaled \$11,959. This inventory was not filed with the County Clerk as required by State statute.

When inventory statements are not filed as required by State statute there is an increased risk of loss, theft, or misuse.

We recommend inventory listings for all County personal property in the custody and possession of County officers be timely filed with the County Clerk in accordance with State statute.

COUNTY SHERIFF

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 and trust accounts).

We noted at June 30, 2007, office records indicated assets were long \$620 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 and allows errors to more easily go undetected.

This has been a comment in prior audit reports.

We recommend the County Sheriff implement documented monthly balancing procedures, including timely follow up of any unexplained variances.

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,



Deann Haeffner
Assistant Deputy Auditor