



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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State Auditor

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June 10, 2014

Mr. Scott Olson, Chair  
Dundy County Board of Commissioners  
70931 Harford Road  
Haigler, NE 69030

RE: Dundy County Highway Department Superintendent

Dear Mr. Olson:

As you know, the Nebraska Auditor of Public Accounts (APA) was contacted by concerned citizens regarding certain matters involving the current Dundy County Highway Department (Department) Superintendent, Michael Edwards (Superintendent). It was brought to our attention that, among other payroll concerns, the Superintendent was paid large amounts of overtime as compared to other employees in the Department. Additionally, there were allegations that certain loads of scrap metal were taken to Kearney, Nebraska, by the Superintendent and other Department employees; however, the monies ostensibly received from the sale of thereof could not be easily traced back to the Dundy County Treasurer's Office.

Based upon these concerns, the APA began limited preliminary planning work to determine if a full financial audit or attestation would be warranted. The APA obtained and analyzed certain financial information specifically related to the Superintendent and his Department. Based upon this preliminary planning work, it has been decided that a separate attestation of Dundy County is not warranted at this time. However, we currently plan on performing the audit of Dundy County for fiscal year end June 30, 2014, see the separate letter attached. The APA will follow up on the issues and recommendations contained in this letter during that audit.

During the course of the preliminary work, we noted certain internal control or compliance matters, or other operational matters within the Department, that are presented below. The comments and recommendations, which have been discussed with management, are intended to improve internal control or result in other operational efficiencies.

Our consideration of internal control was for the limited purpose described in the paragraphs above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, material weaknesses or significant deficiencies may exist that were not identified.

Draft copies of this letter were furnished to the Dundy County Board of Commissioners to provide them with an opportunity to review and respond to the comments and recommendations herein. The Dundy County Board of Commissioners declined to respond to the draft copy of this letter.

**1. Department Payroll Procedures**

The APA identified a significant number of payroll-related issues, including the lack of review of the Superintendent’s time worked, failure of the Superintendent to use the electronic time clock, issues with overtime and holiday pay, improper recording of sick and vacation hours used, and lack of adequate approval of bonuses paid to Department employees. The following is a summary of the Superintendent’s pay for 2012 and 2013.

	2013 Pay			2012 Pay		
	Hours	Rate	Total	Hours	Rate	Total
<b>Regular Pay</b>	1872	\$15.70	\$29,390.40	2080	\$15.70	\$32,656.00
<b>Regular Pay *</b>	208	\$16.20	\$3,369.60			\$0.00
<b>Bonus Pay</b>			\$1,500.00			\$1,500.00
<b>Highway Superintendent Pay **</b>			\$2,400.00			\$0.00
<b>Total Pay for Regular Hours</b>			<b>\$36,660.00</b>			<b>\$34,156.00</b>
<b>Overtime</b>			<b>\$25,660.80</b>			<b>\$23,644.20</b>
<b>Gross Pay ***</b>			\$62,320.80			\$57,800.20

\* Highway Department employees received a \$.50 hourly raise beginning November 1, 2013.  
 \*\* Mr. Edwards was appointed Superintendent at the February 19, 2013, Commissioner’s meeting.  
 \*\*\* This amount represents Mr. Edwards’s actual gross pay. The Cafeteria plan of \$604 was deducted from the gross pay amount and reported in the actual gross pay for each calendar year on the W-2s.

Review of Overtime, Holiday, Leave, and Other Pay

As the Manager of the Highway Department, the Superintendent is charged with reviewing and approving Department employees’ time worked every pay period. After approving them, the Superintendent submits the total regular and overtime hours to the County Clerk’s office for processing. However, there is no separate or independent review of the Superintendent’s time to ensure he accurately recorded the number of hours worked on a daily basis.

Per discussions with the Superintendent, the Board approves all overtime and hours paid; however, according to the County Clerk, there is no review of the Superintendent’s daily time records.

Time Clock

The Superintendent has not utilized the County’s time clock, as required under the employee handbook for nonexempt employees. As a result, there are no start and stop times recorded for days worked. Only the total number of regular and overtime hours worked each day are documented.

To illustrate, the following is a copy of the Superintendent's time record for December 2013:

DUNDY COUNTY 2013 DECEMBER MIKE EDWARDS						
DATE	reg. Hrs worked	O.T.	TOTAL HRS	vac used	sick used	OT approved
12/01/13						
12/02/13	8	2	10			
12/03/13	8	2	10			
12/04/13	8	2	10			
12/05/13	8	2	10			
12/06/13	8	2	10			
12/07/13		10	10			
12/08/13		4	4			
12/09/13	8	2	10			
12/10/13	8	2	10			
12/11/13	8	2	10			
12/12/13	8	2	10			
12/13/13	8	2	10			
12/14/13		6	6			
12/15/13		5	5			
12/16/13	8	2	10			
12/17/13	8	2	10			
12/18/13	8	2	10			
12/19/13	8	2	10			
12/20/13	8	2	10			
12/21/13		10	10			
12/22/13		4	4			
12/23/13	8	2	10			
12/24/13	8	2	10			
12/25/13	8	2	10			
12/26/13	8	2	10			
12/27/13	8	2	10			
12/28/13		6	6			
12/29/13						
12/30/13	8	2	10			
12/31/13	8	2	10			

Per the Employee Handbook, "Classification of Employees," employees are classified as either exempt or nonexempt:

*Exempt employees are paid on a salaried basis and are not eligible for overtime pay. Nonexempt employees are paid on an hourly basis and receive overtime pay.*

The Employee Handbook, "Recording Work Hours," goes on to state:

*To ensure that accurate records are kept of the hours you actually work (including overtime hours where applicable), all nonexempt hourly employees are required to record their time on the County's time clocks. You must clock in before beginning work, at the beginning of your lunch period, upon returning from lunch, and after finishing work. All time worked must be included.*

The APA asked the Superintendent for his explanation of why he was not using the electronic time clock, as he is classified as a nonexempt employee. He responded that a Board member told him he did not have to use the time clock. There was no documentation to support this authorization from the Board. Additionally, the Dundy County Clerk understood that the Superintendent was to maintain electronic time cards. As a result of his failure to use the electronic time clock, there was no way to determine or verify what hours were or were not worked by the Superintendent.

Overtime Paid

As the table below indicates, the Superintendent has been paid an astounding amount of overtime in comparison to the other Department employees. The following is a summary of the number of overtime hours paid to Department employees for the period July 1, 2012, through February 28, 2014.

<b>Department Employees</b>	<b>Overtime Hours Paid</b>
Michael Edwards, Supt.	1,763
Nicholas Ohrman	19
John Ohrman	12
Richard Fries	10
Gary Bernard	9
Richard Dewester	8
Todd Pankonin	8
Brandon Sanford	6
Austin Davis	0
Anthony Wonderly	0
Kenny McDonald	0

In 2013, the Superintendent was paid overtime hours worked for 348 of 365 days during the calendar year. On the 17 days in which no overtime was recorded, 15 days were Sundays and 2 days were holidays. As mentioned previously, the Superintendent did not utilize the electronic time clock, so there was no way for the APA to verify the number of overtime hours actually worked.

The APA also found that the Superintendent used holiday hours in the accumulation of hours worked in computing his overtime, which is not allowed under the Employee Handbook. For example, the Superintendent did not work on Labor Day, September 2, 2013. However, the Superintendent actually only worked 32 hours from September 3<sup>rd</sup> to September 6<sup>th</sup>, after which time the remaining hours worked were recorded as overtime. As a result, the Superintendent was paid eight hours at the overtime rate of \$23.55 instead of his regular rate of \$15.70, resulting in an overpayment of \$63. The APA noted similar examples for other holidays not worked by the Superintendent.

Per the Employee Handbook, “Overtime”:

*Days off (with or without pay), such as vacation, sick leave, and holidays, will not be included in the accumulation of hours worked for purposes of computing overtime.*

In addition, the APA found numerous issues when comparing the number of overtime hours submitted and paid by the Clerk’s Office to what the Superintendent had recorded on his actual time sheet. For example, the following summary of hours worked was submitted to the Clerk’s office by the Superintendent, for the period August 26, 2013, through September 8, 2013.

DUNDY COUNTY

PAYROLL

8-26-13

9-2-13

*Rec'd  
9-10-13  
for payroll  
on 9-16-13*

NAME	1 <sup>st</sup> Week	2 <sup>nd</sup> Week	3 <sup>rd</sup> Week	Total Reg hrs	Overtime Hours	NOTES
M. EDWARDS	40	40		80	50	

However, as noted below, the Superintendent recorded only 72 regular hours and 42 hours of overtime for the same period on his time record.

DATE	reg. Hrs worked	O.T.	TOTAL HRS
8/26/13	8	2	10
8/27/13	8	2	10
8/28/13	8	2	10
8/29/13	8	2	10
8/30/13	8	2	10
8/31/13		10	10
9/01/13		4	4
9/02/13			
9/03/13	8	2	10
9/04/13	8	2	10
9/05/13	8	2	10
9/06/13	8	2	10
9/07/13		8	8
9/08/13		2	2

It is unclear how the Superintendent came up with the number of hours submitted to the Clerk's Office based on the above time record. As stated previously, the Superintendent has not recorded his time using the electronic time clock.

Sick and Vacation Hours

From June 6, 2011, through March 8, 2014, the Superintendent has never recorded a day of sick or vacation leave used, per County records. However, on May 7, 2013, the Superintendent’s spouse posted a picture on Facebook related to a trip taken to Lake Dillon, Colorado. The APA has included the Facebook post below.



The Superintendent recorded that he worked every single day of the week, including weekends and holidays, from January 7, 2013, through August 3, 2013, with the exception of March 31, 2013, a Sunday. That stretch of time is equivalent to working 208 of 209 days straight.

The APA also requested the accrued sick and vacation balances for the Superintendent but received no such records. The Superintendent stated that he does not keep track of his leave balances because he has accrued the maximum number of vacation and sick hours. The Employee Handbook, “Vacation,” states, in part, “In order to encourage the use of vacation time, employees may only accumulate a maximum of 240 hours of vacation.” Employees are also allowed to accumulate 480 sick hours. The accumulated balances are important, as all vacation hours accrued, along with a portion of the accrued sick leave hours, are to be paid upon the termination of employment with the County.

Holiday Hours Worked

The following Holidays were recorded as worked by the Superintendent from January 2012 through February 2014.

County Holiday	2012	2013	2014
New Year's Day	10	0	10
Martin Luther King, Jr. Day	10	10	10
President's Day	0	10	10
Arbor Day	10	10	n/a
Memorial Day	0	10	n/a

<b>County Holiday</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Fourth of July	0	10	n/a
Labor Day	8	0	n/a
Columbus Day	0	8	n/a
Veterans' Day	10	10	n/a
Thanksgiving Day	0	10	n/a
Day after Thanksgiving Day	0	10	n/a
Christmas Eve ( <b>Note 1</b> )	10	n/a	n/a
Christmas Day	0	10	n/a
<b>Totals</b>	<b>58</b>	<b>98</b>	<b>30</b>

*Note 1: Christmas Eve was a County Holiday in 2012; the Superintendent recorded 10 hours on Christmas Eve 2013, but it was not considered a County Holiday.*

As noted above, the Superintendent recorded time worked, including overtime, on all but two holidays in 2013, including 10 hours on both Thanksgiving Day and Christmas Day. As stated previously, the required County time clock was not used, so there was no way to verify the actual number of holiday hours worked.

No other Department employees worked on the holidays that the Superintendent recorded as worked. The following is a summary of the number of Holiday hours worked by Department employees for the period January 1, 2012, through February 28, 2014.

<b>Department Employees</b>	<b>Holiday Hours Worked</b>
Michael Edwards, Supt.	186
Nicholas Ohrman	8
John Ohrman	8
Richard Fries	8
Gary Bernard	8
Richard Dewester	8
Todd Pankonin	8
Brandon Sanford	0
Austin Davis	0
Anthony Wonderly	0

*\* Certain Department employees worked on October 8, 2012, Columbus Day; however, the Superintendent did not.*

Applicable Federal labor laws do not cover or require holiday pay, as those benefits are matters of agreement between an employee and the employer. However, per the Employee Handbook, "Holidays":

*A nonexempt employee required to work on a designated paid holiday will be paid time and one-half (1 ½) the employee's straight time hourly rate for hours worked, plus holiday pay. Holiday pay will be the employee's straight-time rate multiplied by the number of hours usually worked in a day.*

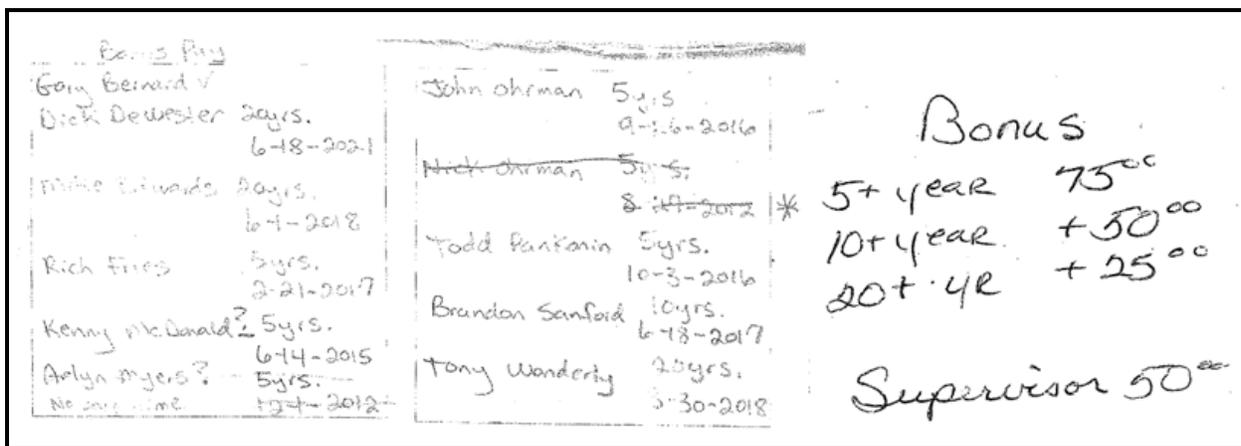
The County records all holiday hours paid as regular hours worked for all Department employees; therefore, the Superintendent has not been paid the proper amount of holiday pay.

However, there is not enough documentation to support the hours actually worked by the Superintendent on those days.

Bonus Pay

During discussions with certain County officials, the APA learned that Department employees received what was referred to as “Bonus Pay.” This extra pay has been paid by the County as a form of a longevity benefit for Department employees to stay with the County for longer periods of time.

It should be noted that no other Dundy County employees, other than the Road Department, received the bonus pay. The APA requested documentation from the County Clerk’s office to substantiate this extra pay, as there was no mention of this benefit in the Employee Handbook or in the County Board minutes for the last several years. However, the only documentation supporting the pay was a handwritten sheet, with two sticky notes attached, with the bonus amounts noted. The APA has included the relevant portions of this “Bonus Pay” below.



There was also no approval of this pay documented in any of the Board meeting minutes obtained by the APA. Per the County Clerk, this was done several years ago to maintain staffing at the Department; however, no other documentation, date, or approval could be provided.

The apparently informal practice of granting longevity “Bonus Pay,” which is neither provided for in the Employee Handbook nor approved by the Board, gives rise to concerns regarding possible unconstitutional gratuities under Article III, Section 19, of the Nebraska Constitution. That provision states, in relevant part:

*The Legislature shall never grant any extra compensation to any public officer, agent, or servant after the services have been rendered nor to any contractor after the contract has been entered into, except that retirement benefits of retired public officers and employees may be adjusted to reflect changes in the cost of living and wage levels that have occurred subsequent to the date of retirement.*

According to the Nebraska Supreme Court (Court), the above constitutional prohibition applies to the State and all of its political subdivisions. See Retired City Civilian Employees Club of City of Omaha v. City of Omaha Employees' Retirement System et al., 199 Neb. 507, 512, 260 N.W.2d 472, 475 (1977)

The Court, in Myers v. Nebraska Equal Opportunity Com'n., 255 Neb. 156, 163, 582 N.W.2d 362, 367 (1998) (quoting Matter of Mullane v. McKenzie, 269 N.Y. 369, 377, 199 N.E. 624, 627 (1936)), has explained the meaning of extra compensation as follows:

*A payment of compensation to a public servant constitutes extra compensation whenever there is no legal obligation to pay such compensation.*

The Nebraska Attorney General, Op. Att’y Gen. No. 94064 (August 10, 1994), has elaborated upon the prohibition in Article III, Section 19, as follows:

*The purpose of state constitutional provisions prohibiting extra compensation to public employees after services are rendered is to prevent payments in the nature of gratuities for past services.*

Furthermore, the Nebraska Attorney General, Op. Att’y Gen. No. 97015 (March 03, 1997), has pointed out that constitutionally permissible employee bonus programs must “involve payment to . . . employees for the actual value of existent rights earned when services were rendered rather than gratuities . . . .”

Given the apparent informality surrounding the current practice of granting longevity “Bonus Pay,” it is difficult to say with certainty that such random disbursements constitute either a “legal obligation” of the County or an “existent right earned” by the employees. As a result, those bonuses could appear gratuitous in nature.

When an hourly employee’s actual time worked, including overtime, is not adequately documented, reviewed, and approved, there is an increased risk for these significant issues to arise. In addition, when certain employees are allowed to circumvent established County policies and procedures, there is an increased risk for possible abuse of hours recorded and paid by the County. Finally, granting employees’ longevity “Bonus Pay” in the absence of any formally adopted procedures or official policies risks conflicting with the prohibition against unconstitutional gratuities.

We recommend the County implement procedures to ensure all employee time is recorded, approved, paid, and compliant with applicable County policies and procedures. The County may wish to consider obtaining legal guidance regarding the possibility of treating the Superintendent as an exempt employee, as stated in the

Employee Handbook. However, if the Superintendent continues as a nonexempt employee, the County should implement procedures to monitor the overtime, vacation, sick, and holiday hours worked to ensure compliance with the Employee Handbook. We also recommend the County formally establish detailed policies and procedures, which may include annual Board approval documented in the meeting minutes, to govern the provision of longevity “Bonus Pay” for Department employees. The County Board should also consider the need and cost of overtime hours to ensure this is the best process and is the most cost effective method for the County.

**2. Department Scrap Metal**

The APA also received allegations that County-owned scrap metal was sold in Kearney, Nebraska, by the Superintendent, but the funds from the sale of the scrap were not remitted to the County Treasurer. On February 28, 2014, the APA contacted Triangle Metals, located in Kearney, to determine whether the Superintendent had, in fact, sold scrap there. As a result of that inquiry, Triangle Metals sent the APA the following information regarding scrap sold to that company by the Superintendent.

COLUMBUS METAL Fax: 308-237-4317 Feb 28 2014 03:28pm P001/001 02/28/2014 2:18:22 PM												
Purchase History Register												
Name Contains "MIKE" and "EDWARDS"												
Account Sequence Detail Report Total UM												
Account	Name	City		State		Acct		Trdr				
Commodity	Description	Type										
Receiver	Recv Date	Yard	Trd	Invoice	Inv Date	Period	Reference	Contract	Net UM	Price / UM	Amount	
PEDDLER	CASH											
009	STEEL #2/HEAVY	TFS										
790510	10/31/2012	3		790510	10/31/2012	2012/10			7,800	180.00 / NT	702.00	
795243	11/20/2012	3		795243	11/20/2012	2012/11			9,340	200.00 / NT	634.00	
Commodity Total:							Count:	2	17,140.00 LB		1,636.00	
011	UNPREPARED/ROUGH IRON	TFS										
692387	09/09/2011	3		692387	09/09/2011	2011/09			5,280	175.00 / NT	482.00	
693429	09/15/2011	3		693429	09/15/2011	2011/09			9,060	175.00 / NT	787.50	
Commodity Total:							Count:	2	14,280.00 LB		1,249.50	
012-SHRED	MIXED IRON	TFS										
717006	01/28/2012	3		717006	01/28/2012	2012/01			5,700	215.00 / NT	612.75	
Commodity Total:							Count:	1	5,700.00 LB		612.75	
Account Total:							Count:	5	37,120.00 LB		3,496.25	
Grand Total:							Count:	5	37,120.00 LB		3,496.25	

On April 14, 2014, the APA asked the Superintendent about these specific loads of steel and iron that he sold to Triangle Metals in 2012. The Superintendent stated this metal was from his grandmother’s and mother’s farmsteads, emphasizing that it was not the County’s scrap. The

lack of documentation maintained by the County makes it difficult to determine whether any of the scrap sold belonged to the County. However, it seems likely that significant resources would have been required to load and move 22,840 pounds of scrap from Benkelman to Kearney.

Additionally, the Superintendent recorded significant hours worked during those same days on which the scrap in question was delivered to Kearney, as follows:

MIKE EDWARDS						
DATE	reg. Hrs worked	O.T.	TOTAL HRS	vac used	sick used	
10/31/12	8	2	10			
11/20/12	8	2	10			
1/28/12		7	7			

It is questionable whether someone could work 10 hours for the County and also drive over 5,000 pounds of personal scrap from Benkelman to Kearney and return on the same day. Per Google Maps, it is approximately 158 miles (2 hours 47 minutes) from Benkelman to Triangle Metals in Kearney. As noted above, the Superintendent has not recorded a single day of vacation or sick leave in the past two and-a-half years.

According to the Superintendent, the Department does not have a formal process for the collection and selling of County-owned scrap. The County has scrap piles in Benkelman, Haigler, and Max. None of the scrap is inventoried or locked up, so there is no way to prevent individuals from taking it.

The APA also contacted the Dundy County Treasurer to determine the amount of scrap revenue that has been deposited by the Department. From January 1, 2012, through January 31, 2014, the Department sold scrap only once, collecting \$203. This is the same time frame during which the Superintendent sold over 22,000 pounds of “personal” scrap in Kearney. The following is a copy of the Treasurer’s receipt for the sale of Department scrap.

COUNTY TREASURER'S OFFICE		MISCELLANEOUS RECEIPT	
DUNDY COUNTY NEBRASKA		ID:13014135	
RECEIVED ON : JANUARY 29, 2013			
RECEIVED FOR : SOLD SCRAP IRON FROM HAIGLER BRIDGE			
RECEIVED FROM: JANS SCRAP			
ROAD	200-530-05	SALE OF SUPPLIES/MATERIALS	203.00

At a minimum, there appear to be conflicts with the time recorded by the Superintendent on those specific days that he claimed to have taken personal scrap to Kearney. It also seems unusual that the Department has sold scrap only one time in the last two years, but it collects scrap at three separate locations within the County.

The lack of documentation and procedures for tracking and safeguarding scrap collected within the Department increases the risk for the loss or misuse of County property and funds.

We recommend the County implement formal procedures for the collection and sale of scrap within the Department, including adequate safeguards in order to protect scrap at all three locations in the County. The County may wish to interview Department employees to determine if they assisted or are aware of any transporting or sale of scrap for the County.

\* \* \* \* \*

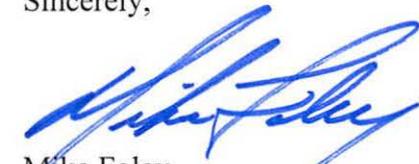
The County should take, in a timely fashion, whatever action it deems appropriate to resolve the issues addressed in this letter – thereby, ensuring adequate internal controls and compliance with all relevant provisions of County policies.

Our planning and 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 our knowledge of the County and its interaction with other entities, which was gained during our preliminary planning work, to make comments and suggestions that we hope will be useful to the County.

This letter is intended solely for the information and use of the County and is not intended to be, and should not be, used by anyone other than the specified party. However, this report is a matter of public record, and its distribution is not limited.

If you have any questions, please feel free to contact Mary Avery of my office at [mary.avery@nebraska.gov](mailto:mary.avery@nebraska.gov) or by phone at 402-471-3686.

Sincerely,



Mike Foley  
Auditor of Public Accounts

cc: Gary Burke, Dundy County Attorney



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Mike Foley  
State Auditor

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May 20, 2014

Mr. Scott Olson, Chair  
Dundy County Board of Commissioners  
70931 Harford Road  
Haigler, NE 69030

Dear Mr. Olson:

In accordance with Neb. Rev. Stat. Section 84-304, the Auditor of Public Accounts has determined it is necessary for our office to conduct the fiscal year 2014 Dundy County audit. Neb. Rev. Stat. Section 84-304 states in part, "To examine or cause to be examined, at the expense of the political subdivision, when the Auditor of Public Accounts determines such examination necessary ..." This letter will serve as the Dundy County notice of the audit fees for the Fiscal Year 2014 Dundy County audit. We would recommend, if you have a current contract to conduct the fiscal year 2014, you cancel or revise that contract; otherwise, Dundy County may have to pay for both audits.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and "Audits of State and Local Governments," with the objective of issuing the reports listed below at the conclusion of our audit. It should be understood that the responsibility for the preparation of financial statements, including adequate disclosure, is that of the management of Dundy County. This includes, but is not limited to, the maintenance of adequate accounting records and internal control structure, the selection and application of accounting policies, and the safeguarding of the assets of Dundy County. As part of our audit process, we will require from the County's management written confirmation concerning representations made to us in connection with the audit. Our responsibility is to express an opinion on the financial statements based on our audit. The audit will be reported on a cash basis.

In conducting our audit, we will perform tests of the accounting records and such other procedures as we consider necessary in the circumstances to form our opinion about whether the financial statements are free of material misstatement and to report on whether management has complied with laws and regulations and has established and maintained an adequate internal control structure.

An audit includes procedures designed to provide reasonable assurance that errors and irregularities that would have a material effect on the financial statements would be detected. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with GAGAS. Accordingly, a material misstatement may remain undetected.

Although our audit may not reveal all errors, irregularities, or illegal acts which may have occurred during the year, please be advised it is our responsibility to ensure the County Board is informed of any significant illegal acts we become aware of during our audit. If the illegal act involves funds from other governmental entities, it is the County's responsibility to inform the other entities of these acts. If the County's management and Board are involved in the illegal act or do not report such to the other governmental entities on a timely basis, we, as auditors, will be obligated to report the illegal acts to these governmental entities. We understand all records, documentation, and information we request in connection with our audit will be made available to us.

At the conclusion of our audit or audits, we plan on issuing the following reports:

- a report on the financial statements of the County, on a cash basis;
- a report on the internal control structure based solely on our consideration of the structure made as a part of the audit of the financial statements; and
- a report on compliance with laws and regulations that may have a material effect on the financial statements.

The fee for services to be performed will be sufficient to cover the cost of our actual work. We have estimated our fee based on the complex and unusual circumstances surrounding this audit. We anticipate our maximum fee shall not exceed \$25,000 for the fiscal year ended June 30, 2014 audit. **We will only charge for actual work hours and actual expenses incurred.** No additional charges will be made for routine inquiries or requests for information. The fee quoted above is for a financial statement audit. Our fee stated above does not include any other bookkeeping or special requests by Dundy County. We will submit a billing for services performed when the work is completed, and we understand payments will be made accordingly.

Our fees contemplate the same high degree of cooperation which we have received in previous years from Dundy County officials and their staff. The most recent peer review report for our office was issued August 16, 2013, and expresses an unqualified opinion. A copy of this peer review report is available on our website at: [http://www.auditors.nebraska.gov/About\\_Us/2013\\_NSAA\\_APA\\_Peer\\_Review.pdf](http://www.auditors.nebraska.gov/About_Us/2013_NSAA_APA_Peer_Review.pdf).

Sincerely,



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Special Audits and Finance Manager  
Auditor of Public Accounts  
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