



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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December 27, 2007

Board of Supervisors
Buffalo County, Nebraska

Dear Supervisors:

We have audited the basic financial statements of Buffalo County (County) for the fiscal year ended June 30, 2007, and have issued our report thereon dated December 27, 2007. 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 BOARD

Payment of Claim

Neb. Rev. Stat. Section 23-109 R.R.S. 1997 gives the county board the power to examine and settle all accounts against the county. Neb. Rev. Stat. Section 23-135 R.S.Supp., 2006 requires, in part, "...all claims against a county shall be filed with the county clerk within ninety days from the time when any materials or labor, which form the basis of the claims, have been furnished or performed...."

During our review of uncleared Buffalo County vendor checks as of June 30, 2007, one check, totaling \$2,500, was noted as issued by the County Board in May 2007 and still outstanding as of November 2007. Further review of this disbursement determined the original \$2,500 claim was approved based only upon a quotation rather than an actual vendor invoice. Upon approval of the claim, the vendor check was given to the County Sheriff's office pending delivery to the vendor. As of November 2007 this check remains on hand at the County Sheriff's office as office personnel have indicated to auditors that the underlying vendor services have yet to be delivered to Buffalo County.

When claims are allowed before materials have been furnished or services rendered, there is an increased risk of loss or misuse of County funds.

We recommend the County Board implement procedures to ensure materials have been furnished or services rendered before claims are allowed by the Board.

Publication of Board Minutes

Neb. Rev. Stat. Section 23-122 R.R.S 1997 requires the county board of all counties having a population of less than one hundred fifty thousand inhabitants publish its board proceedings within ten working days after the close of each annual, regular, or special board meeting.

Two of six County Board proceedings tested were not published within ten working days after the close of those meetings.

When County Board proceedings are not published as prescribed by State Statute, citizens are not informed of resulting Board actions in a timely manner.

We recommend all Buffalo County Board proceedings be published within ten working days after the close of each annual, regular, or special board meeting.

County's Response: I do recognize that the County Board proceedings were not always published within the ten working days after the close of the meetings.

I have contacted our designated newspaper, The Hub, and they are now aware of the problem. To track this we have created a system to check these publishings so that we can bring it to their attention when they fail to comply with the regulations. I also have kept copies of the emails I send into them which indicate the date submitted for publishing. The minutes have always been turned in within three to four working days, which should give them ample time to publish the proceedings.

Thank you for bringing it to my attention and I will rectify the situation.

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, commissions, mileage, and refunds).

We noted at June 30, 2007, office records indicated assets were \$23,174 long 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 allowing errors to more easily go undetected.

We recommend the County Sheriff implement documented monthly balancing procedures and follow up on all unexplained variances in a timely manner.

CLERK OF THE DISTRICT COURT

Financial Accountability

Neb. Rev. Stat. Section 25-2214.01 R.R.S. 1995 requires the Clerk of the District Court to carefully manage any money or other property received. Neb. Rev. Stat. Section 77-2326.02 R.R.S. 2003 requires all public funds paid to or coming into the hands of the Clerk of the District Court be deposited into designated, insured depositories. In addition, the Nebraska Office of the State Court Administrator (AOC) provides Nebraska courts with leadership and guidance in many areas, including court finance and administration. On September 17, 2007, the AOC issued the District Court Financial Procedures Manual which condensed into one comprehensive resource the District Court's previously communicated responsibilities related to basic accounting and financial activities. The Financial Procedures Manual provides detailed user

instructions for processing various transactions, including court fees, photocopies, passport fees, judgments, investments, etc. within the JUSTICE system, the official accounting and case management system of the courts. Lastly, the AOC distributed to the District Courts pre-printed 'emergency' receipts which are to be used only when the JUSTICE system is down and any such receipts issued must be re-receipted in JUSTICE when the system is back on line; no other receipts, outside of the JUSTICE system, are authorized by the AOC.

During our audit the following was noted:

- The District Court does not account for passport activity within the JUSTICE system. The Court writes manual receipts to individuals only when such receipts are requested. Passport monies received are deposited into a separate bank account from the Court's JUSTICE checking account. The CDC does, however, give the county board a monthly report of passport revenue, fees, and number of passports collected by the CDC. During the fiscal year ended June 30, 2007, a total of \$46,980 in passport fees were remitted to the County Treasurer.
- The District Court did not properly account for the redemption of a \$545,000 investment within the JUSTICE system. Instead of depositing investment proceeds back into the Court's checking account for subsequent distribution the Court had the bank directly issue the distributions and the Court voided its original JUSTICE investment accounting entry.
- The District Court deducted from its County Treasurer remittances the amount of "miscellaneous fees" due the County as reported on its month-end JUSTICE Summary Fee Forecast reports; reports which identify totals held by the Court and payable to various agencies. As of June 30, 2007, the Court carried \$94 in such unremitted miscellaneous fees.
- The Court had in its possession a manual receipt book not issued to it by the Nebraska Office of the State Court Administrator. The receipt book was used for the occasional receipt of passport fees, photocopy fees, etc. when individuals requested receipts. During the fiscal year ended June 30, 2007, a total of ten such receipts were issued by the Court. All copies of one receipt were missing from the manual receipt book and, as a result, it could not be determined whether any monies receipted thereon had been subsequently receipted into the JUSTICE system and deposited into the Court's bank account.

When all fees and monies received by the District Court are not completely and accurately recorded in accordance with State Statute and procedures issued by the Nebraska Office of the State Court Administrator, there is an increased risk of loss, theft, or misuse.

We recommend the District Court review both the referenced State Statutes as well as the Financial Procedures Manual issued by the AOC and implement procedures to ensure all fees and monies received by the District Court are completely and accurately recorded as prescribed therein.

District Court's Response:

- 1. Passports - The County Board and myself agreed that the check for the passport fees would be turned over to the Chairman of the Budget Committee along with a report on a monthly basis. This was done each month as requested.*
- 2. This investment was all handled within the bank by the bank officer, attorneys and the Court. The Court maintained the investment account on Justice throughout the process of the case.*
- 3. Miscellaneous fees - the amount of miscellaneous fees were not identified as of June 30, 2007. This amount will be paid to the County Treasurer.*
- 4. The manual receipt book was a miscellaneous receipt book. This receipt book was not only used for passports, etc. when individuals requested them but also by the court reporter when people requested bill of exceptions. This money is not the courts money it is the court reporters money.*

It is my understanding the rules of the State Court Administrator's Office aka AOC are not mandatory and only provide guidance to the Clerks of the District Court. The Clerks in their discretion may adjust those recommendations to meet the needs of the individual District Courts and Counties. I am unaware of any statutory or other authority which requires strict compliance with the AOC procedures. If such authority exists I would appreciate you providing me with those authorities so that I can make necessary adjustments to our local practices.

Auditor's Response: Neb. Rev. Stat. Section 25-2209 R.R.S. 1995 states "The clerk of the district court shall keep records to be called the appearance docket, the trial docket, the journal, the complete record, the execution docket, the fee book, the general index, and the judgment record. Such records may be compiled, filed, and maintained on a computer system. Effective not later than October 1, 1992, provision for dockets and records of the district courts shall be established by rule of the Supreme Court.

Furthermore, good financial accountability requires a receipt be written for all money received, not just when requested by the payor, and that all receipts be recorded in the accounting records.

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. All formal responses received have been incorporated into this report. Where no response has been included, the County declined to respond. Responses have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were not verified at this time, but will be verified in the next audit.

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,

A handwritten signature in cursive script that reads "Deann Haeffner CPA".

Deann Haeffner
Assistant Deputy Auditor