

# STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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November 2, 2006

Kate Witek  
State Auditor  
Kate.Witek@apa.ne.gov

Board of Supervisors  
Buffalo County, Nebraska

Dear Supervisors:

Deann Haeffner, CPA  
Deputy State Auditor  
Deann.Haeffner@apa.ne.gov

We have audited the basic financial statements of Buffalo County (County) for the fiscal year ended June 30, 2006, and have issued our report thereon dated November 2, 2006. 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.

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Pat Reding, CPA  
Asst. Deputy Auditor  
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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:

Tim Channer, CPA  
Asst. Deputy Auditor  
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Mary Avery  
SAE/Finance Manager  
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## COUNTY OVERALL

Dennis Meyer, CGFM  
Subdivision Budget  
Coordinator  
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### 1. 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.

Mark Avery, CPA  
Subdivision Audit  
Review Coordinator  
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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.

Perry Pirsch, JD, MPA  
Legal Counsel  
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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

### 2. Imprest Fund Balancing Procedures

Good internal control and sound accounting practices require procedures be in place to ensure bank records reconcile to book records in a timely manner and that bank funds are available to cover checks issued.

We noted the Imprest Bank Account did not reconcile to the accounting records in July 2006 and the bank balance was not sufficient to cover checks issued on the account in June 2006 because of deposits to the wrong account.

Failure to adequately account for bank balances increases the risk of loss or misuse of funds.

We recommend the County implement procedures to ensure the bank balance reconciles to the accounting records on a monthly basis and deposits are recorded to the correct account.

### 3. Negative Fund Balances

Good internal control requires procedures be in place to ensure fund balances do not carry a negative balance.

We noted the Medical Relief Fund and Institutions Fund had negative balances of \$505 and \$268, respectively, at June 30, 2006. Negative fund balances reflect assets being used from other county funds.

We recommend the County implement procedures to ensure assets are available in a fund prior to approving claims for that fund.

## COUNTY SHERIFF

### 4. Balancing Procedures

Good internal control requires procedures be in place to ensure assets (cash on hand, reconciled bank balance, advanced fees, etc.) are in agreement with office liabilities (fees and trust accounts).

We noted the County Sheriff did not balance office assets against office liabilities and, as such, lacked accountability over its “other liabilities”. At June 30, 2006, the County Sheriff had \$8,206 in “other liabilities” which were not detailed as to whom they were owed. Failure to determine asset-to-liability balancing variances can result in an increased risk of loss 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 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  
Deputy State Auditor