

**ATTESTATION REPORT
OF
BUFFALO COUNTY COURT
JULY 1, 2013 THROUGH JUNE 30, 2015**

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Issued on June 9, 2016

BUFFALO COUNTY COURT

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BUFFALO COUNTY COURT

COMMENT AND RECOMMENDATION

During our examination of the Buffalo County Court, we noted a certain deficiency and other operational matters that are presented here.

This comment and recommendation is intended to improve the internal control over financial reporting or result in operational efficiencies in the following area:

Segregation of Duties

Good internal control includes a plan of organization, procedures, and documentation 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 office of the County Court lacked a segregation of duties, as one person was capable of handling all aspects of processing transactions 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 is not possible without additional cost. Further, personnel are under the direction of both the Nebraska State Court Administrator and the Presiding Judge. We have included this comment in previous examinations. We consider this to be a material weakness.

Our examination identified the following issues:

- Access to and use of signature stamps was not limited to the individual whose name was on the stamp.
- There were two instances of cash being short or long, with no documentation on file to support how the issues were resolved.
 - A March 2014 deposit was short \$100 compared to the Summary Fee Forecast Report. The cash short was never identified to a case.
 - At the end of the business day on August 26, 2013, a \$20 cash long receipt was entered into the Court's accounting system. The very next morning, though, when the daily bank deposit was prepared, the extra \$20 could not be found. Consequently, the original \$20 cash long receipt was simply voided; however, this was done without any explanation for how the cash drawer could have been long at the end of the previous work day but not at the start of the very next morning.

We recommend the County Court and the Nebraska State Court Administrator review this situation. As always, the cost of hiring additional personnel versus the benefit of a proper segregation of duties must be weighed. We also recommend restricting the use of

BUFFALO COUNTY COURT

COMMENT AND RECOMMENDATION

(Concluded)

signature stamps to the individual whose name is on the stamp. Finally, we recommend the Court implement procedures to document what steps are taken when a cash short or long is identified, including specifying what case(s) is impacted and how the situation was resolved.

County Court's Response: Several people are capable of handling all aspects of processing transactions from beginning to end, but these people do not do all aspects every day. If someone is absent, other staff need access to step in and make sure the daily work gets done promptly and accurately.

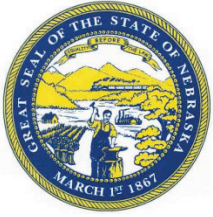
The \$100 shortage was found at the end of the day when the case drawer was balanced. Several cases are on a daily cash balance per drawer so it was not possible to identify a particular case.

Change was likely made from a cash deposit already completed and the \$20.00 was not in fact long. Documentation by 2 or 3 staff is now required for every incident to support how those issues were resolved.

Judges have authorized staff to use their signature stamps on specified documents only. Judges have court 5 days a week, which does not allow them time to sign the amount of paperwork processed each day. The signature stamps are not kept where the public or someone visiting the office would have access to.

It should be noted this report is critical in nature as it contains only our comment and recommendation on the area noted for improvement and does not include our observations on any accounting strengths of the County Court.

Draft copies of this report were furnished to the County Court to provide management an opportunity to review the report and to respond to the comment and recommendation included in this report. The formal response received has been incorporated into this report. The response has been objectively evaluated and recognized, as appropriate, in the report. A response that indicates corrective action has been taken was not verified at this time, but it will be verified in the next examination.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

Charlie.Janssen@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.nebraska.gov

BUFFALO COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Buffalo County Court as of and for the fiscal years ended June 30, 2015, and June 30, 2014. The County Court's management is responsible for the Schedules. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting the amounts and disclosures in the Schedules and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the Schedules referred to above present, in all material respects, the assets and liabilities arising from cash transactions of the Agency Funds of the Buffalo County Court, as of June 30, 2015, and June 30, 2014, and the related activity for the fiscal years then ended, based on the accounting system and procedures prescribed by the Nebraska Supreme Court, as described in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Schedules and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Schedules are presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedules or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed a certain finding that is required to be reported under *Government Auditing Standards*, and the finding, along with the views of management, is described in the Comment Section of the report.

This report is intended solely for the information and use of management, the Supreme Court, others within the County Court, and the appropriate Federal and regulatory agencies, and it is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

May 23, 2016



Philip J. Olsen, CPA, CISA
Audit Manager

BUFFALO COUNTY COURT
KEARNEY, NEBRASKA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
ASSETS				
Cash and Deposits	\$ 1,488,637	\$ 2,102,946	\$ 2,791,676	\$ 799,907
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 16,326	\$ 207,731	\$ 208,321	\$ 15,736
Law Enforcement Fees	1,542	19,655	19,770	1,427
State Judges Retirement Fund	5,314	67,085	67,236	5,163
Court Administrative Fees	8,735	110,380	111,157	7,958
Legal Services Fees	5,602	70,941	71,209	5,334
Due to County Treasurer:				
Regular Fines	33,593	475,688	475,828	33,453
Overload Fines	475	19,100	17,850	1,725
Regular Fees	4,148	69,991	69,556	4,583
Petty Cash Fund	525	-	-	525
Due to Municipalities:				
Regular Fines	3,230	35,383	35,412	3,201
Trust Fund Payable	1,409,147	1,026,992	1,715,337	720,802
Total Liabilities	\$ 1,488,637	\$ 2,102,946	\$ 2,791,676	\$ 799,907

The accompanying notes are an integral part of the schedule.

BUFFALO COUNTY COURT
KEARNEY, NEBRASKA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
ASSETS				
Cash and Deposits	\$ 595,214	\$ 5,006,979	\$ 4,113,556	\$ 1,488,637
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 19,663	\$ 216,362	\$ 219,699	\$ 16,326
Law Enforcement Fees	1,653	20,710	20,821	1,542
State Judges Retirement Fund	5,586	70,315	70,587	5,314
Court Administrative Fees	8,883	116,751	116,899	8,735
Legal Services Fees	5,953	73,891	74,242	5,602
Due to County Treasurer:				
Regular Fines	43,469	520,278	530,154	33,593
Overload Fines	150	11,475	11,150	475
Regular Fees	3,650	89,272	88,774	4,148
Petty Cash Fund	525	-	-	525
Due to Municipalities:				
Regular Fines	2,788	46,346	45,904	3,230
Trust Fund Payable	502,894	3,841,579	2,935,326	1,409,147
Total Liabilities	\$ 595,214	\$ 5,006,979	\$ 4,113,556	\$ 1,488,637

The accompanying notes are an integral part of the schedule.

BUFFALO COUNTY COURT
NOTES TO FINANCIAL SCHEDULES
For the Fiscal Years Ended June 30, 2015, and June 30, 2014

1. Criteria

A. Reporting Entity

The Buffalo County Court is established by State statute and is administratively operated through the Court Administrator's Office of the Nebraska Supreme Court, which is part of the State of Nebraska reporting entity. The Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the County Court reflect only the Agency Funds activity of the County Court, including the receipts and their subsequent disbursement to the appropriate entities for which they were collected. The Schedules do not reflect the personal services expenses of the County Court, which are paid by the Nebraska Supreme Court, or the operating expenses, which are paid by Buffalo County.

B. Basis of Accounting

The accounting records of the County Court Agency Funds are maintained, and the Schedules of Changes in Assets and Liabilities Arising from Cash Transactions have been prepared, based on the accounting system and procedures prescribed by the Nebraska Supreme Court. Under this system of accounting, fines, fees, and receipts relating to trust funds are shown as additions to assets and as an increase in the related liability when received. Likewise, disbursements are shown as deductions to assets and as a decrease in the related liability when a check is written.

2. Deposits and Investments

Funds held by the County Court are deposited and invested in accordance with rules issued by the Supreme Court, as directed by Neb. Rev. Stat. § 25-2713 (Reissue 2008). Funds are generally consolidated in an interest-bearing checking account; however, the County Court may order certain trust funds to be invested separately. Any deposits in excess of the amount insured by the Federal Deposit Insurance Corporation are required by Neb. Rev. Stat. § 77-2326.04 (Reissue 2009) to be secured either by a surety bond or as provided in the Public Funds Deposit Security Act.