

**ATTESTATION REPORT  
OF  
BUFFALO COUNTY COURT**

**JULY 1, 2015, THROUGH DECEMBER 31, 2017**

**This document is an official public record of the State of Nebraska, issued by  
the Auditor of Public Accounts.**

**Modification of this document may change the accuracy of the original  
document and may be prohibited by law.**

**Issued on March 16, 2018**

# BUFFALO COUNTY COURT

## TABLE OF CONTENTS

	<u>Page</u>
<b><u>Comments Section</u></b>	
Summary of Comments	1
Comments and Recommendations	2 - 4
<b><u>Financial Section</u></b>	
Independent Accountant's Report	5 - 6
Financial Schedules:	
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Agency Funds - For the Period July 1, 2015, to December 31, 2016	7
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Agency Funds - For the Calendar Year Ended December 31, 2017	8
Notes to Financial Schedules	9

# BUFFALO COUNTY COURT

## SUMMARY OF COMMENTS

During our examination of the Buffalo County Court, we noted certain deficiencies and other operational matters that are presented here. The following comment is required to be reported in accordance with Government Auditing Standards: Comment #1, Segregation of Duties, which is considered to be a material weakness.

These comments and recommendations are intended to improve the internal control over financial reporting or result in operational efficiencies in the following areas:

1. ***Segregation of Duties:*** One individual was capable of handling all phases of a transaction from beginning to end.
2. ***Overdue Balances:*** The County Court did not review its overdue balances on an ongoing, timely basis to ensure collection and/or resolution of such balances.
3. ***Petty Cash Fund:*** Reimbursement of petty cash expenses were not made in a timely manner. The County Court change fund was not properly noted in the County Budget Message.

More detailed information on the above items is provided hereinafter. It should be noted that this report is critical in nature, as it contains only our comments and recommendations on the areas 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 with an opportunity to review the report and to respond to the comments and recommendations included in this report. Where no response has been included, the County Court declined to respond.

# BUFFALO COUNTY COURT

## COMMENTS AND RECOMMENDATIONS

### 1. Segregation of Duties

We noted that the office of the County Court lacked a sufficient segregation of duties. Specifically, 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.

Additionally, the following errors were noted:

- During testing, the APA noted two instances of non-waiverable court costs, totaling \$34, which were improperly waived.

Neb. Rev. Stat. § 29-2709 (Reissue 2016) provides, in relevant part, the following:

*When any costs in misdemeanor, traffic, felony preliminary, or juvenile cases in county court, except for those costs provided for in subsection (3) of section 24-703, two dollars of the fee provided in section 33-107.01, the court automation fee provided in section 33-107.03, and the uniform data analysis fee provided in section 47-633, are found by a county judge to be uncollectible for any reason, including the dismissal of the case, such costs shall be deemed waived . . . .*

Good internal control includes a plan of organization, procedures, and documentation designed to safeguard assets and to 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. When non-waiverable fees and costs are waived, moreover, the County Court is not in compliance with State statute.

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 the County Court implement procedures to ensure the waiver of only court fees and costs allowed by State statute.

### 2. Overdue Balances

During testing of 10 overdue balances, 6 balances, totaling \$1,177, did not have subsequent action taken, such as the issuance of warrants and/or suspensions or the declaration of certain overdue balances as uncollectible, by the County Court to ensure collection and/or resolution of the balances. As of the date of testing, one case had not been followed up on for 487 days, and another case had not been followed up on for 240 days. As of January 31, 2018, overdue balances, excluding restitution judgments, totaled \$125,445.

Good internal control and sound business practices require overdue balances of the County Court to be reviewed on an ongoing, timely basis to determine what action should be taken to collect and/or otherwise resolve those balances.

# BUFFALO COUNTY COURT

## COMMENTS AND RECOMMENDATIONS

(Continued)

### 2. Overdue Balances (Concluded)

Without a regular review of overdue case balances, there is an increased risk that overdue balances may either not have proper follow-up action taken or have been previously resolved and should no longer be considered overdue.

We recommend the County Court implement an ongoing, timely review of its Overdue Case Account reports to ensure the timely collection and/or resolution of overdue balances.

### 3. Petty Cash Fund

The County Court holds \$450 as petty cash, received from the County, of which \$400 is used for making change, and \$50 is used for making purchases. During testing of the petty cash monies, the APA noted the following:

- Claims for reimbursement for purchases out of the \$50 balance were not made within 90 days, as required by State statute. One claim tested had receipts, totaling \$29, that were 148 to 528 days late. In addition, at December 31, 2017, the County Court had unclaimed receipts, totaling \$23, that had not been submitted to the County Clerk for reimbursement at the time of testing. At January 31, 2018, these receipts ranged from 121 to 355 days late.
- The balance held for making change, totaling \$400, was not properly reported in the County budget document.

Neb. Rev. Stat. § 23-135(1) (Reissue 2012) states, in relevant part, the following:

*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. . .*

Neb. Rev. Stat. § 23-106(2) (Reissue 2012) states the following:

*The county board shall have the authority to establish a petty cash fund for such county for the purpose of making payments for subsidiary general operational expenditures and purchases. Such county board shall set, by resolution of the board, the amount of money to be carried in such petty cash fund and the dollar limit of an expenditure from such fund and such amount shall be stated in the fiscal policy of the county board budget message.*

A good internal control plan requires procedures to ensure that petty cash claims are submitted for reimbursement in a timely manner.

When reimbursement of petty cash expenses are not submitted to the County Clerk within 90 days, and when the County's petty cash funds are not properly disclosed in the budget message of the County budget document, the County and County Court are not in compliance with State statute. Furthermore, when reimbursements for petty cash expenses are not made in a timely manner, there is an increased risk of loss or misuse of County Court funds.

# BUFFALO COUNTY COURT

## COMMENTS AND RECOMMENDATIONS

(Concluded)

### 3. **Petty Cash Fund** (Concluded)

We recommend the County Court implement procedures to ensure all petty cash claims are submitted for reimbursement in a timely manner. We also recommend the Court work with the County Clerk to ensure all petty cash funds held by the Court are reported in the County's budget message.



## 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](http://www.auditors.nebraska.gov)

### BUFFALO COUNTY COURT

#### INDEPENDENT ACCOUNTANT'S REPORT

Buffalo County Court  
Kearney, Nebraska 68848

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 period July 1, 2015, to December 31, 2016, and the calendar year ending December 31, 2017. The County Court's management is responsible for the Schedules based on the accounting system and procedures set forth in Note 1. Our responsibility is to express an opinion on the Schedules 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. Those standards require that we perform the examination to obtain reasonable assurance about whether the Schedules are based on the accounting system and procedures set forth in Note 1, in all material respects. An examination involves performing procedures to obtain evidence about the Schedules of Changes in Assets and Liabilities Arising from Cash Transactions. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Schedules, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Schedules of Changes in Assets and Liabilities Arising from Cash Transactions for the period July 1, 2015, to December 31, 2016, and the calendar year ending December 31, 2017, is based on the accounting system and procedures prescribed by the Nebraska Supreme Court, as set forth in Note 1, in all material respects.

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, abuse that is 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 that finding, along with the views of management, is described in the Comments 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.



March 12, 2018

Zachary Wells, CPA  
Audit Manager  
Lincoln, Nebraska

**BUFFALO COUNTY COURT**  
**KEARNEY, NEBRASKA**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**ARISING FROM CASH TRANSACTIONS**  
**AGENCY FUNDS**

For the Period Ending December 31, 2016

	Balance July 1, 2015	Additions	Deductions	Balance December 31, 2016
<b>ASSETS</b>				
Cash and Deposits	\$ 799,907	\$ 2,760,663	\$ 3,308,234	\$ 252,336
<b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 15,736	\$ 286,385	\$ 287,442	\$ 14,679
Law Enforcement Fees	1,427	28,710	28,542	1,595
State Judges Retirement Fund	5,163	120,064	118,673	6,554
Court Administrative Fees	7,958	159,523	158,294	9,187
Legal Services Fees	5,334	106,377	105,488	6,223
Due to County Treasurer:				
Regular Fines	33,453	717,705	714,923	36,235
Overload Fines	1,725	43,975	43,150	2,550
Regular Fees	4,583	83,188	71,343	16,428
Petty Cash Fund	525	150	225	450
Due to Municipalities:				
Regular Fines	3,201	47,006	45,712	4,495
Trust Fund Payable	720,802	1,167,580	1,734,442	153,940
Total Liabilities	\$ 799,907	\$ 2,760,663	\$ 3,308,234	\$ 252,336

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 Calendar Year Ended December 31, 2017

	Balance January 1, 2017	Additions	Deductions	Balance December 31, 2017
<b>ASSETS</b>				
Cash and Deposits	\$ 252,336	\$ 1,732,769	\$ 1,760,438	\$ 224,667
<b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 14,679	\$ 186,498	\$ 186,822	\$ 14,355
Law Enforcement Fees	1,595	19,879	19,920	1,554
State Judges Retirement Fund	6,554	90,009	88,653	7,910
Court Administrative Fees	9,187	104,204	105,496	7,895
Legal Services Fees	6,223	79,466	79,287	6,402
Due to County Treasurer:				
Regular Fines	36,235	493,868	492,371	37,732
Overload Fines	2,550	12,275	13,675	1,150
Regular Fees	16,428	67,281	81,026	2,683
Petty Cash Fund	450	-	-	450
Due to Municipalities:				
Regular Fines	4,495	30,673	32,469	2,699
Regular Fees	-	17	-	17
Trust Fund Payable	153,940	648,599	660,719	141,820
<b>Total Liabilities</b>	<b>\$ 252,336</b>	<b>\$ 1,732,769</b>	<b>\$ 1,760,438</b>	<b>\$ 224,667</b>

The accompanying notes are an integral part of the schedule.

**BUFFALO COUNTY COURT**  
**NOTES TO FINANCIAL SCHEDULES**

For the Period Ended December 31, 2016, and Calendar Year Ended December 31, 2017

**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 2016). 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.