

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

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Issued on January 29, 2016

SEWARD COUNTY COURT

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SEWARD COUNTY COURT

COMMENT AND RECOMMENDATION

During our examination of the Seward 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.

Errors specifically noted include the following:

- The payee listed on one cleared check did not agree to the payee noted per the Court's accounting system.

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.

Clerk Magistrate's Response: Regarding segregation of duties, you are correct that I am able to handle all aspects of processing transactions from beginning to end. However, that rarely happens. In a small office, in order to receipt for the money when it is received, everyone needs to be able to issue receipts. The vast majority of those receipts are written by the clerks whose desks are in the main office. Two of us (Cathy and myself) are able to sign the checks. The majority of those checks are issued on JUSTICE and manually written by other clerks and then signed by one of us. The daily deposits are prepared and taken to the bank by Terri. As part of her job duties, Terri now works part time in another county. Therefore, when she is gone Lisa prepares and takes the deposit to the bank. I only prepare the deposit if both Terri and Lisa are gone. Lisa does the monthly balancing. I do the daily review of reports, and disbursements of the fees. In addition, all accounting reports are imaged and reviewed remotely by an independent accounting specialist.

SEWARD COUNTY COURT

COMMENT AND RECOMMENDATION

(Concluded)

In regards to the error noted with the manual check not matching JUSTICE payee – that was in fact in error. I have reviewed the case personally. The case involved was a civil judgment where an assignment of judgment had been filed. The clerk inadvertently made the check out on JUSTICE to the original plaintiff, while manually the check was made out to the assignee. I have reviewed the procedure with the clerks involved, with a reminder that the manual check must match the justice payee.

I hope this better explains the steps we have put in place to segregate the financial duties as much as we are able and to prevent a duplication of the error noted.

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.



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SEWARD COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Seward 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 Seward 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 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.

January 6, 2016


Deann Haeffner, CPA
Assistant Deputy Auditor

SEWARD COUNTY COURT
SEWARD, 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	\$ 103,027	\$ 784,103	\$ 812,402	\$ 74,728
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 7,238	\$ 84,150	\$ 86,634	\$ 4,754
Law Enforcement Fees	380	5,372	5,299	453
State Judges Retirement Fund	1,344	17,937	17,842	1,439
Court Administrative Fees	4,024	47,845	48,503	3,366
Legal Services Fees	1,416	19,154	18,931	1,639
Due to County Treasurer:				
Regular Fines	11,782	166,338	162,736	15,384
Overload Fines	-	4,475	4,475	-
Regular Fees	1,704	10,982	11,504	1,182
Petty Cash Fund	235	-	-	235
Due to Municipalities:				
Regular Fines	75	1,955	1,900	130
Regular Fees	518	3,065	3,268	315
Trust Fund Payable	74,311	422,830	451,310	45,831
Total Liabilities	\$ 103,027	\$ 784,103	\$ 812,402	\$ 74,728

The accompanying notes are an integral part of the schedule.

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

For the Fiscal Year Ended June 30, 2014

	<u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u>
	<u>July 1, 2013</u>			<u>June 30, 2014</u>
ASSETS				
Cash and Deposits	\$ 92,291	\$ 681,822	\$ 671,086	\$ 103,027
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 6,780	\$ 72,600	\$ 72,142	\$ 7,238
Law Enforcement Fees	353	4,965	4,938	380
State Judges Retirement Fund	1,256	16,619	16,531	1,344
Court Administrative Fees	3,139	44,060	43,175	4,024
Legal Services Fees	1,270	17,566	17,420	1,416
Due to County Treasurer:				
Regular Fines	9,661	149,125	147,004	11,782
Overload Fines	-	8,450	8,450	-
Regular Fees	754	12,751	11,801	1,704
Petty Cash Fund	-	235	-	235
Due to Municipalities:				
Regular Fines	203	1,125	1,253	75
Regular Fees	98	3,545	3,125	518
Trust Fund Payable	<u>68,777</u>	<u>350,781</u>	<u>345,247</u>	<u>74,311</u>
Total Liabilities	<u>\$ 92,291</u>	<u>\$ 681,822</u>	<u>\$ 671,086</u>	<u>\$ 103,027</u>

The accompanying notes are an integral part of the schedule.

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

1. Criteria

A. Reporting Entity

The Seward 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 Seward 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.