

**ATTESTATION REPORT
OF
ADAMS COUNTY COURT**

JULY 1, 2014, THROUGH DECEMBER 31, 2016

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Issued on March 9, 2017

ADAMS COUNTY COURT

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ADAMS COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Adams County Court, we noted certain deficiencies and other operational matters that are presented here. The following comments are required to be reported in accordance with Government Auditing Standards: Comments #2, #3, and #4, which are considered to be significant deficiencies, and Comment #1, 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. ***Monthly Report Review:*** The Monthly Case Balance Report and Report of Non-Case Receipts were not reviewed, with corrective action taken when necessary to resolve issues.
3. ***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.
4. ***Non-Waiverable Court Costs:*** The County Court waived court costs that, according to State statute, were not waiverable.
5. ***Witness Fee Account:*** The County Court did not report and remit outstanding checks to the State Treasurer prior to closing a bank account.

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. All formal responses received have been incorporated into this report. Any response received has 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 they will be verified in the next examination.

ADAMS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

1. 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. 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.

The following errors were noted:

- Access to and use of signature stamps was not limited to the individual whose name was on the stamp.
- Interest earned on investments was not being receipted or adjusted onto the case balances in a timely manner.

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:

1. *It is noted in the comments regarding segregation of duties that one person was capable of handling all aspects of processing transactions. That person is me. As the supervisor of my staff, someone has to have the ability to handle all situations regarding the handling of monies and any subsequent adjustments to same.*
2. *Access to signature stamps is only upon the approval of the judges.*
3. *There were 2 interest bearing accounts which I applied interest on a monthly basis without fail. One of these accounts was paid out. The other account somehow was relegated to just online statements and I did not receive any paper statements. I just simply "forgot" it was there and didn't process the interest adjustments. When it was brought to my attention, I immediately took care of it and brought it up to current status.*

2. Monthly Report Review

Good internal control requires the County Court to have procedures in place that provide an ongoing, detailed review of monthly financial reports, including the Monthly Case Balance Report and the Report on Non-Case Receipts. In addition, sound accounting practices require procedures to be in place to ensure the complete and accurate posting of defendant payments to their respective cases.

ADAMS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Monthly Report Review** (Concluded)

During testing of the June 30, 2015, and December 31, 2016, case and non-case balances, the following was noted:

- Six of 20 cases tested, in the amount of \$1,951, did not have subsequent follow-up actions by the County Court to review and/or resolve the balances. These balances included, in part, defendant appearance bonds, which had been inactive for a significant time, and unrefunded overpayments due to application errors of the County Court.
- Two of 15 non-case balances tested, totaling \$230, related to unfiled citations, which the County Court did not review in an attempt to resolve in a timely manner.

This comment was included in prior-year reports.

When the County Court's monthly reports are not consistently reviewed in a timely manner, there is an increased risk of errors, omissions, and/or irregularities, which would not be detected and/or resolved in a timely manner.

We strongly recommend the County Court perform a detailed review of all monthly financial reports, including the Monthly Case Balance Report and the Report of Non-Case Receipts, and resolve any unattached and/or unusual balances in a complete, accurate, and timely manner.

Clerk Magistrate's Response:

1. *Regarding bonds and held amounts, we had implemented using Janet, our roving court reporter to help review these outstanding monies when she is in our court. Janet was previously our criminal clerk and knows what to look for and how to process it. That was started approximately a year ago.*
2. *Regarding citations, there have been times when we are waiting for citations to be filed from the county attorney's office. Apparently, the two that were tested were ones that were overlooked, but Debbie does a great job in keeping track of how they are processed.*
3. *It was my understanding that we are reviewing these reports. I will visit with my staff and make sure this is being accomplished.*

3. **Overdue Balances**

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.

ADAMS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Overdue Balances (Concluded)

During testing of 15 overdue balances, 12, totaling \$6,501, did not have subsequent action taken by the County Court, such as the issuance of warrants and/or suspensions or declaration of certain overdue balances as uncollectible, to ensure collection and/or resolution of the balances. As of December 5, 2014, overdue balances, excluding restitution judgments, totaled \$234,835. As of January 27, 2017, overdue balances, excluding restitution judgments, totaled \$167,379, a decrease of \$67,456 or 28.7%.

This comment was included in prior-year reports.

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

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

Clerk Magistrate's Response: This area was probably one of our weakest to continually take action on. However, we have tried to make it a priority and as the numbers will attest, we are making progress. We will continue to monitor this report and hopefully continue to make steady progress in the collection of these overdue amounts.

4. Non-Waiverable Court Costs

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 [judges retirement fee], two dollars of the fee provided in section 33-107.01 [legal services fee], 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 . . .

We tested 20 non-monetary receipts and noted four instances, totaling \$68, of non-waiverable court costs that were improperly waived.

When non-waiverable fees and costs are waived, the County Court is not in compliance with State statute.

We recommend the County Court waive only court fees and costs allowed by State statute.

Clerk Magistrate's Response: All of my staff knows that these costs cannot be waived and should be claimed to be paid. I have corrected the four transgressions and have reiterated to my staff that this must be watched carefully in the future.

ADAMS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

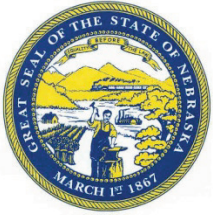
5. Witness Fee Account

Neb. Rev. Stat. § 69-1307.01 (Reissue 2009), which is found in the Uniform Disposition of Unclaimed Property Act, presumes intangible personal property held by a court and unclaimed for more than three years to be abandoned. Neb. Rev. Stat. § 69-1310 (Reissue 2009), requires any unclaimed abandoned property, as of June 30 each year, to be reported and remitted to the State Treasurer by November 1 of each year. Additionally, good internal control and sound accounting practices require the Court's accounting records to be accurately and currently maintained.

During the audit, it was noted the County Court turned the witness fee petty cash account over to the Adams County Clerk's office prior to resolving outstanding checks that had not been cashed, resulting in \$651 not being remitted to unclaimed property.

We recommend the County Court work with the County to address this issue.

Clerk Magistrate's Response: After much discussion, I was instructed to discontinue using this account and give it to the County Clerk. I did as instructed and therefore was not able to review any checks that might be sent to unclaimed property.



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ADAMS COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Adams County Court as of and for the period July 1, 2015, to December 31, 2016, and the fiscal year ending June 30, 2015. 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 Adams County Court, as of December 31, 2016, and June 30, 2015, 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 certain findings that are required to be reported under *Government Auditing Standards*, and those findings, along with the views of management, are 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 8, 2017


Deann Haeffner, CPA
Assistant Deputy Auditor

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

For the Period July 1, 2015, to December 31, 2016

	Balance July 1, 2015	Additions	Deductions	Balance December 31, 2016
ASSETS				
Cash and Deposits	\$ 333,569	\$ 1,695,136	\$ 1,875,633	\$ 153,072
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 11,884	\$ 206,759	\$ 205,810	\$ 12,833
Law Enforcement Fees	979	17,522	17,328	1,173
State Judges Retirement Fund	3,945	81,855	80,389	5,411
Court Administrative Fees	6,893	115,939	116,369	6,463
Legal Services Fees	4,147	71,155	70,725	4,577
Due to County Treasurer:				
Regular Fines	18,061	381,318	379,988	19,391
Overload Fines	18,575	33,725	52,000	300
Regular Fees	3,130	23,685	24,558	2,257
Petty Cash Fund	1,172	700	1,342	530
Due to Municipalities:				
Regular Fines	300	6,440	6,640	100
Regular Fees	340	8,487	8,587	240
Trust Fund Payable	264,143	747,551	911,897	99,797
Total Liabilities	\$ 333,569	\$ 1,695,136	\$ 1,875,633	\$ 153,072

The accompanying notes are an integral part of the schedule.

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

For the Fiscal Year Ended June 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
ASSETS				
Cash and Deposits	\$ 275,144	\$ 1,607,356	\$ 1,548,931	\$ 333,569
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 10,902	\$ 147,506	\$ 146,524	\$ 11,884
Law Enforcement Fees	974	12,197	12,192	979
State Judges Retirement Fund	3,557	44,727	44,339	3,945
Court Administrative Fees	5,786	78,393	77,286	6,893
Legal Services Fees	3,925	46,861	46,639	4,147
Due to County Treasurer:				
Regular Fines	22,958	285,835	290,732	18,061
Overload Fines	2,150	38,450	22,025	18,575
Regular Fees	1,249	28,300	26,419	3,130
Witness Fee Fund	1,189	1,530	1,547	1,172
Due to Municipalities:				
Regular Fines	275	3,487	3,462	300
Regular Fees	500	4,792	4,952	340
Trust Fund Payable	221,679	915,278	872,814	264,143
Total Liabilities	<u>\$ 275,144</u>	<u>\$ 1,607,356</u>	<u>\$ 1,548,931</u>	<u>\$ 333,569</u>

The accompanying notes are an integral part of the schedule.

ADAMS COUNTY COURT
NOTES TO FINANCIAL SCHEDULES
For the Fiscal Years Ended December 31, 2016, and June 30, 2015

1. Criteria

A. Reporting Entity

The Adams 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 Adams 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.