

**ATTESTATION REPORT
OF
CEDAR COUNTY COURT**

JULY 1, 2014, THROUGH DECEMBER 31, 2016

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Issued on May 31, 2017

CEDAR COUNTY COURT

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CEDAR COUNTY COURT

COMMENT AND RECOMMENDATION

During our examination of the Cedar 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. 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. We consider this to be a material weakness.

In addition, as further evidence of the need for adequate segregation of duties, the following errors were noted:

- For 1 of 17 trust balances, the County Court was holding \$124 in trust money related to a traffic case that had been dismissed on September 7, 2016. After the balance was brought to the Clerk's attention, a refund was issued to the defendant.
- For 1 of 17 trust balances, \$900 in bond funds was held by the County Court for nearly 10 years after the defendant had been sentenced. The funds were received in April 2007, and the defendant was sentenced in August 2007; however, the sentencing order did not address how the court intended to handle the bond held. Although warrants have continued to be issued over the past several years, the last formal documentation related to the bond was a judge's order dated September 8, 2010, indicating the bond should be held. No further documentation could be provided related to the bond over the last six years.
- For 1 of 10 non-monetary receipts tested, the County Court waived \$17 in non-waiverable fees due to jail time served. These fees cannot be waived per State statute. Therefore, the fees should have been paid by the County and remitted to the State Treasurer, rather than having been waived after jail time served.

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

CEDAR COUNTY COURT

COMMENT AND RECOMMENDATION

(Concluded)

Clerk Magistrate's Response: Regarding the bond fees held. It is my understanding that a judge's order is final and the clerks here do not second guess his orders. Therefore, the order that was issued on September 8, 2010, regarding holding the bond fees in the court's JUSTICE account have remained there.

Since the \$17.00 was waived incorrectly, I believe that the JUSTICE program no longer allows for these fees to be waived. Therefore, this should not happen again.

County Court Judge's Response: With regard to the annually repeated Segregation of Duties comment, I agree with you; though apparently and repeatedly, our legislature who continues to increase staff workload, without corresponding increase in staff has not considered such concern a legislature/appropriations concern.

So, I fail to understand why this item continues to be listed as a deficiency against these county court offices. The Clerk- Magistrates, and the Judges, have no control over the size of their staff! Those who do maintain their offices, in the Capital Building, and one even has a residence in the Governor's Mansion. Putting those facts into your analysis, apparently they are the ones who are deficient. I look forward to reading your frank critique in this area of their performance; and to seeing their signatures on letters, like those attached with this letter, that you require the Clerk Magistrates to sign.

APA Response: The audit report is intended to identify errors and risks in the accounting processes of the Court, not only for the Court, but also the public. Therefore, even though the Court may not feel that it has control over the availability of resources to correct the lack of segregation of duties, it still remains a risk that needs to be disclosed.

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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CEDAR COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Cedar 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 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 plan and 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 fiscal year ending June 30, 2015, are 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, 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 19, 2017

Zachary Wells, CPA, CISA
Audit Manager
Lincoln, Nebraska

CEDAR COUNTY COURT
HARTINGTON, 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
ASSETS				
Cash and Deposits	\$ 28,311	\$ 343,430	\$ 336,974	\$ 34,767
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 2,807	\$ 50,880	\$ 50,848	\$ 2,839
Law Enforcement Fees	195	3,924	3,929	190
State Judges Retirement Fund	715	15,731	15,667	779
Court Administrative Fees	2,374	33,469	34,559	1,284
Legal Services Fees	703	13,537	13,536	704
Due to County Treasurer:				
Regular Fines	4,606	86,301	86,100	4,807
Overload Fines	525	13,650	13,150	1,025
Regular Fees	147	5,581	5,672	56
Petty Cash Fund	60	-	-	60
Due to Municipalities:				
Regular Fines	-	-	-	-
Regular Fees	-	-	-	-
Trust Fund Payable	16,179	120,357	113,513	23,023
Total Liabilities	\$ 28,311	\$ 343,430	\$ 336,974	\$ 34,767

The accompanying notes are an integral part of the schedule.

CEDAR COUNTY COURT
HARTINGTON, 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>Deductions</u>	<u>Balance</u>
	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2015</u>
ASSETS				
Cash and Deposits	\$ 39,578	\$ 221,483	\$ 232,750	\$ 28,311
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 3,292	\$ 38,217	\$ 38,702	\$ 2,807
Law Enforcement Fees	281	2,971	3,057	195
State Judges Retirement Fund	909	9,729	9,923	715
Court Administrative Fees	1,221	26,229	25,076	2,374
Legal Services Fees	880	10,190	10,367	703
Due to County Treasurer:				
Regular Fines	5,963	63,987	65,344	4,606
Overload Fines	150	6,773	6,398	525
Regular Fees	270	5,062	5,185	147
Petty Cash Fund	-	60	-	60
Due to Municipalities:				
Regular Fines	-	25	25	-
Regular Fees	-	-	-	-
Trust Fund Payable	<u>26,612</u>	<u>58,240</u>	<u>68,673</u>	<u>16,179</u>
Total Liabilities	<u>\$ 39,578</u>	<u>\$ 221,483</u>	<u>\$ 232,750</u>	<u>\$ 28,311</u>

The accompanying notes are an integral part of the schedule.

CEDAR COUNTY COURT
NOTES TO FINANCIAL SCHEDULES

For the Period Ended December 31, 2016, and Fiscal Year Ended June 30, 2015

1. Criteria

A. Reporting Entity

The Cedar 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 Cedar 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.