

**ATTESTATION REPORT
OF
LANCASTER COUNTY COURT**

JULY 1, 2015, THROUGH DECEMBER 31, 2016

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Issued on May 8, 2017

LANCASTER COUNTY COURT

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LANCASTER COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Lancaster 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, 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 review did not have corrective action taken when necessary to resolve issues.

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. Responses have 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.

LANCASTER 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, including access to and use of signature stamps by individuals whose name was not on the stamp. A lack of segregation of duties increases the risk of possible errors or irregularities. We have noted this comment in previous examinations.

We recommend the County Court and the Nebraska State Court Administrator review this situation and implement good controls to reduce the risk of errors or irregularities.

County Court's Response: Lancaster County Court has and will continue to work to implement procedures to ensure good internal controls while still operating efficiently.

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.

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

- Seven of 20 cases tested, in the amount of \$1,038, 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 unapplied payments or unrefunded overpayments due to application errors of the County Court. One of the cases resulted in an incorrect driver's license suspension being issued.
- One of 10 non-case balances tested, totaling \$124, was not properly applied to the traffic case, which resulted in the individual being erroneously put on suspension.

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.

LANCASTER COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

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

We 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.

County Court's Response: Significant staff turnover and training time contributed to reports not being reviewed consistently and thoroughly. The court will make this a top priority in the future no matter what other issues arise.



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LANCASTER COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedule of Changes in Assets and Liabilities Arising from Cash Transactions of the Lancaster County Court as of and for the period July 1, 2015, to December 31, 2016. The County Court's management is responsible for the Schedule. 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 Schedule 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 Schedule referred to above presents, in all material respects, the assets and liabilities arising from cash transactions of the Agency Funds of the Lancaster County Court, as of December 31, 2016, and the related activity for the period 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 Schedule 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 Schedule is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedule 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.

April 24, 2017


Deann Haeffner, CPA
Assistant Deputy Auditor

LANCASTER COUNTY COURT
LINCOLN, 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	\$ 1,441,165	\$ 18,045,849	\$ 18,292,816	\$ 1,194,198
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 59,218	\$ 1,832,395	\$ 1,834,776	\$ 56,837
Law Enforcement Fees	5,898	207,292	207,060	6,130
State Judges Retirement Fund	19,694	797,697	792,693	24,698
Court Administrative Fees	33,255	1,087,312	1,089,206	31,361
Legal Services Fees	20,582	722,577	719,196	23,963
Due to County Treasurer:				
Regular Fines	63,004	2,253,040	2,252,337	63,707
Overload Fines	1,350	190,072	184,821	6,601
Regular Fees	5,673	304,656	295,672	14,657
Petty Cash Fund	700	250	-	950
Due to Municipalities:				
Regular Fines	91,340	3,260,144	3,270,227	81,257
Regular Fees	4,774	196,699	196,989	4,484
Trust Fund Payable	1,135,677	7,193,715	7,449,839	879,553
Total Liabilities	\$ 1,441,165	\$ 18,045,849	\$ 18,292,816	\$ 1,194,198

The accompanying notes are an integral part of the schedule.

LANCASTER COUNTY COURT
NOTES TO FINANCIAL SCHEDULE
For the Period Ended December 31, 2016

1. **Criteria**

A. **Reporting Entity**

The Lancaster 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 Schedule 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 Schedule does 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 Lancaster County.

B. **Basis of Accounting**

The accounting records of the County Court Agency Funds are maintained, and the Schedule 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.