

**ATTESTATION REPORT
OF
WAYNE COUNTY COURT**

JULY 1, 2014, THROUGH DECEMBER 31, 2016

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Issued on May 18, 2017

WAYNE COUNTY COURT

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WAYNE COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Wayne 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. ***Trust Balances:*** The County Court did not review its trust balances on an ongoing, timely basis to ensure payment and/or resolution of such balances.

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.

WAYNE 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.

In addition, the APA noted the following errors, which might have been detected had sufficient control procedures been in place:

- For 1 of 15 non-monetary receipts tested, no supporting documentation was on file for \$28 in waived court costs. Therefore, when the defendant subsequently paid these court costs, the funds were erroneously sent to the County Treasurer instead of the State Treasurer.
- For 1 of 10 checks tested, the payee listed on the cancelled check image, per the bank statement, did not agree to the payee listed in the accounting system. Upon further review of the check, the APA noted that it related to a receipt that was originally applied to the wrong case. The County Court corrected this error by issuing a check out of that case, with the defendant listed as the payee in the system and the County Court listed as the payee on the actual check. The check was then receipted into the correct case.

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

County Court's Response: The financial specialist that is assigned to Wayne County has been periodically verifying random daily receipts vs deposits in Justice, deposits to the bank, non-monetary receipts, voids, check and claims. Records are kept of what days are checked and if there were any issues. When Wayne County is audited these records will be requested from the specialist so it can be provided to the auditors. This is supposed to help with the segregation of duties deficiency because the specialist would never have any contact with the physical money in my court. With Wayne County being a one person court and due to financial restrictions on the Court Administrator's office, this is the most economical way of handling this deficiency.

WAYNE COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. 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 resolve those balances.

During testing of six overdue balances, three balances, totaling \$908, did not have subsequent action taken by the County Court to ensure collection and/or resolution of the balances. A listing of those cases is outlined in the table below.

Case	Overdue Balance	Date of Last Activity	APA Notes
Case 1	\$685	7/29/2016	A letter was sent to a potential address on this date, but no response was received. After the APA brought this case to the Court's attention, an affidavit for an arrest warrant was issued.
Case 2	\$215	10/19/2016	A Time Payment Application was filed on this date; however, no payment was received by the 9/19/2016 due date. After the APA brought this case to the Court's attention, an affidavit for an arrest warrant was issued.
Case 3	\$8	6/20/2013	This is the last time a payment was received from the defendant. The balance shown excludes restitution, of which the defendant owes an additional \$297.
	\$908		

Potential courses of action for following up on these overdue case balances could include: the issuance of warrants and/or suspensions; a judge's determination and order to waive certain costs, if allowable; or declaration of certain overdue balances as uncollectible. However, the County Court should review each situation on a case-by-case basis in order to determine the correct course of action for each.

As of April 8, 2017, overdue balances, excluding restitution judgments, totaled \$27,316. A similar finding was noted in the prior report.

Without a regular review of overdue case balances, there is an increased risk that overdue balances may either not be pursued properly 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 the timely collection and/or resolution of overdue balances.

County Court's Response: The Court will be implementing a plan of action to ensure that the overdue case account report is worked in an ongoing, timely manner to ensure the collection of these balances.

WAYNE COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Trust Balances

Good internal control procedures and sound business practices require trust balances of the County Court to be reviewed on an ongoing, timely basis to determine what action should be taken to refund and/or resolve those balances. Such procedures should include reviewing the trust balances reflected on the County Court's monthly financial reports, including the Monthly Case Balance Report and the Report of Non-Case Receipts.

During the APA's review of a sample of 38 of the County Court's trust balances, we noted errors on 6 of those balances, totaling \$242. Details on these errors are summarized below.

- One trust balance held for \$135, as of December 31, 2016, was not applied to the related criminal case in a timely manner. The balance related to a case that had been completed in September 2016. The receipt was not applied to the case and related fines/costs until March 2017.
- One criminal case had a trust balance of \$48; however, there was nothing in the case file to indicate why this amount was being retained by the County Court. The County Court subsequently issued a check to the defendant after questioned by the APA.
- One criminal case had a trust balance of \$35, which the County Court had attempted to pay out; however, the check was never cashed. The balance was then properly adjusted to go to the State's Unclaimed Property Division, but a non-monetary receipt was not entered appropriately to offset the balance owed. The non-monetary receipt was entered correctly after the APA brought this to the County Court's attention.
- Two cases held balances of \$7 each, which should have been refunded to the payee, but instead were being held to be remitted to the State's Unclaimed Property Division. Nebraska Supreme Court policy requires balances over \$5 to be refunded. One of the cases had not been properly applied to the Overpayment account, which likely contributed to the delay. The other case balance was properly refunded after the APA brought it to the County Court's attention.
- One case held a balance of \$10, which was subsequently refunded in full; however, the APA believes that only \$5 should have been refunded, and the remaining \$5 should have been applied to garnishment filing fees.

A similar finding was noted in the prior report.

Without adequate controls in place to ensure the complete, accurate, and timely review and resolution of trust balances, there is an increased risk of loss, theft, misuse, or improper payment of monies held by the County Court.

WAYNE COUNTY COURT

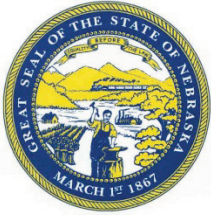
COMMENTS AND RECOMMENDATIONS

(Concluded)

3. Trust Balances (Concluded)

We recommend the County Court implement procedures to monitor financial reports, such as the Monthly Case Balance Report, in order to ensure trust balances are reviewed timely for completeness, accuracy, and proper disposition.

County Court's Response: The court will be implementing a plan of action to ensure that the monthly case balance is worked in an ongoing timely manner to ensure the return of any monies to the appropriate parties.



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WAYNE COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

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



Craig Kubicek, CPA, CFE
Assistant Deputy Auditor
Lincoln, Nebraska

May 12, 2017

WAYNE COUNTY COURT
WAYNE, 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	\$ 23,081	\$ 355,923	\$ 345,896	\$ 33,108
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 2,995	\$ 55,295	\$ 56,029	\$ 2,261
Law Enforcement Fees	259	4,575	4,633	201
State Judges Retirement Fund	932	17,411	17,620	723
Court Administrative Fees	1,893	39,415	40,505	803
Legal Services Fees	926	15,381	15,579	728
Due to County Treasurer:				
Regular Fines	5,196	132,294	131,723	5,767
Overload Fines	225	2,825	2,650	400
Regular Fees	75	8,189	8,162	102
Petty Cash Fund	150	-	-	150
Due to Municipalities:				
Regular Fines	-	1,700	700	1,000
Regular Fees	-	914	869	45
Trust Fund Payable	10,430	77,924	67,426	20,928
Total Liabilities	\$ 23,081	\$ 355,923	\$ 345,896	\$ 33,108

The accompanying notes are an integral part of the schedule.

WAYNE COUNTY COURT
WAYNE, 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	\$ 22,587	\$ 175,275	\$ 174,781	\$ 23,081
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,700	\$ 31,903	\$ 30,608	\$ 2,995
Law Enforcement Fees	156	2,540	2,437	259
State Judges Retirement Fund	525	8,513	8,106	932
Court Administrative Fees	1,533	20,323	19,963	1,893
Legal Services Fees	598	8,732	8,404	926
Due to County Treasurer:				
Regular Fines	7,049	64,491	66,344	5,196
Overload Fines	-	775	550	225
Regular Fees	188	1,849	1,962	75
Petty Cash Fund	-	150	-	150
Due to Municipalities:				
Regular Fines	-	3,435	3,435	-
Regular Fees	220	757	977	-
Trust Fund Payable	<u>10,618</u>	<u>31,807</u>	<u>31,995</u>	<u>10,430</u>
Total Liabilities	<u>\$ 22,587</u>	<u>\$ 175,275</u>	<u>\$ 174,781</u>	<u>\$ 23,081</u>

The accompanying notes are an integral part of the schedule.

WAYNE 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 Wayne 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 Wayne 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.