

**ATTESTATION REPORT
OF
WASHINGTON COUNTY COURT
JULY 1, 2015, THROUGH DECEMBER 31, 2017**

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Issued on May 11, 2018

WASHINGTON COUNTY COURT

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WASHINGTON COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Washington 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. ***Monthly Case Balance Report Review:*** The Monthly Case Balance Report was not reviewed, with corrective action being 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.

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.

WASHINGTON COUNTY COURT

COMMENTS AND RECOMMENDATIONS

1. Segregation of Duties

We noted that the office of the County Court lacked a sufficient 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.

Good internal control includes a plan of organization, procedures, and documentation designed to safeguard assets and to 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 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: We have tried to implement limited duties for each staff member so we have several staff checking daily drawer deposits. One staff member prepares the deposit, another takes it to the bank. Since I have two Courts, we alternate every other month on who balances the other county and who balances this county. No one can touch a family members case at all.

2. Monthly Case Balance Report Review

During the audit, the following was noted:

- Two traffic cases, with \$173 in overpayments received in 2014, were not refunded in a timely manner. For one case, the \$123 overpayment was refunded in May 2017. The other case balance was still being held at the time of fieldwork in April 2018.
- Two bonds held, totaling \$943, were not forfeited in compliance with the court order in a timely manner. A \$673 bond was ordered forfeited in September 2016, but it was not forfeited to the County Treasurer until April 2017. The \$270 bond was ordered forfeited in March 2016 due to the defendant's failure to appear, but it was still held at the time of fieldwork in April 2018.
- One \$630 bond held was received in September 2016; however, this receipt was not applied to the case until April 2018, when the APA brought the balance held to the Court's attention.

Good internal controls require the County Court to perform a detailed review of the Monthly Case Balance Report and take the action necessary to resolve the balances when possible. When action on balances on the Monthly Case Balance Report is not taken in a timely manner, there is an increased risk the funds received by the County Court will not be paid to the appropriate recipient in a timely manner.

WASHINGTON COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Monthly Case Balance Report Review (Concluded)

We recommend the County Court implement procedures to ensure timely action is taken on the balances listed on the Monthly Case Balance Report, when possible.

Clerk Magistrate's Response: For the last 10 years we have actively worked this report and I will say this if the first year the auditor's office has been able to see progress and has acknowledged they can see how hard we have worked at this. We pulled every case on the report, wrote letters, caught the defendants on other matters they have appeared in Court for and collected money. We have a group we are continuing to pursue, but I am very proud of staff and myself for putting forth all the effort we have to collect and be fair to all defendants and not just write off fines and costs because they will be difficult to collect from. We take this report very seriously and we want the public to be assured that we are applying the same set of rules for one defendant as another. We do not take these reports lightly, if we missed an issue, I have reviewed our policy and we are now triple checking this report to ensure we are not missing any collection issues.

3. Overdue Balances

Nine of 15 overdue balances tested, totaling \$3,278, did not have subsequent action taken by the County Court to ensure collection and/or resolution of the balances. The balances included the following:

- Two cases tested, with outstanding balances totaling \$445, had no subsequent action since 1999 and 2004. Subsequent action would normally include the issuance of warrants or suspensions, or declaration that the overdue balances were uncollectible.
- Seven cases tested, with outstanding balances totaling \$2,833, did not have adequate subsequent action taken to ensure collection and/or resolution of the balances.
 - In four cases, with overdue balances totaling \$2,300, the Court attempted to contact the individuals via US mail; however, no action was taken after the issuance of the letter, such as a show cause hearing or issuance of a warrant and/or suspension.
 - In one case, with an overdue balance totaling \$98, the Court received notice that the defendant was homeless in June 2016; however, no action was taken after this notice was received.
 - In two cases, with overdue balances totaling \$435, the Court received notice indicating the address on file was inaccurate; however, no subsequent action was taken to locate the individual after April 2013 for one case and January 2017 for the other.

The County Court's overdue balances, excluding restitution judgments, decreased \$7,764, from \$100,839 as of April 1, 2016, to \$93,075 as of April 16, 2018.

WASHINGTON COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

3. Overdue Balances (Concluded)

Good internal control and sound business practices require that overdue balances of the County Court be reviewed on an ongoing, timely basis to determine what action should be taken to collect or otherwise resolve those balances.

Without a regular review of the Overdue Case Account reports, there is an increased risk of case balances either not having proper follow-up action taken or having been previously resolved and no longer needing to be designated as overdue. A similar comment was noted in prior years.

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 answer is much the same as the monthly case balance report. I have applied a triple check on this report and we again want the public to feel we are treating everyone fairly. This report will be checked by three individuals weekly and we will not let any case be perceived as given favoritism.



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WASHINGTON COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

Washington County Court
Blair, Nebraska 68008

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Washington County Court as of and for the period July 1, 2015, to December 31, 2016, and the calendar year ending December 31, 2017. 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 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 calendar year ending December 31, 2017, is 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, abuse that is 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 that finding, 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.



Zachary Wells, CPA
Audit Manager
Lincoln, Nebraska

May 9, 2018

WASHINGTON COUNTY COURT
BLAIR, 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	\$ 263,858	\$ 1,377,489	\$ 1,396,724	\$ 244,623
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 6,997	\$ 124,799	\$ 136,381	\$ (4,585)
Law Enforcement Fees	626	9,689	9,815	500
State Judges Retirement Fund	1,935	36,433	36,283	2,085
Court Administrative Fees	8,248	90,389	94,591	4,046
Legal Services Fees	2,159	33,894	34,021	2,032
Due to County Treasurer:				
Regular Fines	20,083	268,952	275,712	13,323
Overload Fines	175	12,400	12,425	150
Regular Fees	889	37,372	37,364	897
Petty Cash Fund	200	-	-	200
Due to Municipalities:				
Regular Fines	275	3,981	4,236	20
Regular Fees	100	1,986	2,036	50
Trust Fund Payable	222,171	757,594	753,860	225,905
Total Liabilities	\$ 263,858	\$ 1,377,489	\$ 1,396,724	\$ 244,623

The accompanying notes are an integral part of the schedule.

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

For the Calendar Year Ended December 31, 2017

	Balance January 1, 2017	Additions	Deductions	Balance December 31, 2017
ASSETS				
Cash and Deposits	\$ 244,623	\$ 907,266	\$ 894,941	\$ 256,948
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ (4,585)	\$ 84,638	\$ 71,146	\$ 8,907
Law Enforcement Fees	500	6,326	6,312	514
State Judges Retirement Fund	2,085	26,451	26,064	2,472
Court Administrative Fees	4,046	53,671	53,678	4,039
Legal Services Fees	2,032	24,245	24,289	1,988
Due to County Treasurer:				
Regular Fines	13,323	165,287	166,729	11,881
Overload Fines	150	8,625	5,700	3,075
Regular Fees	897	27,280	25,782	2,395
Petty Cash Fund	200	-	-	200
Due to Municipalities:				
Regular Fines	20	2,927	2,848	99
Regular Fees	50	1,332	1,232	150
Trust Fund Payable	225,905	506,484	511,161	221,228
Total Liabilities	\$ 244,623	\$ 907,266	\$ 894,941	\$ 256,948

The accompanying notes are an integral part of the schedule.

**WASHINGTON COUNTY COURT
NOTES TO FINANCIAL SCHEDULES**

For the Period Ended December 31, 2016, and Calendar Year Ended December 31, 2017

1. Criteria

A. Reporting Entity

The Washington 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 Washington 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.

3. Deficit Ending Balance

State Treasurer Regular Fees had a deficit balance of \$4,585 as of December 31, 2016. The deficit balance is a result of the dismissal of one criminal case, resulting in \$10,000 of 10% bond fees being refunded. The deficit was corrected using revenues collected during calendar year 2017, and it no longer existed as of December 31, 2017.