

**ATTESTATION REPORT
OF
DAWSON COUNTY COURT**

JANUARY 1, 2017, THROUGH DECEMBER 31, 2018

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Issued on June 25, 2019

DAWSON COUNTY COURT

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DAWSON COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Dawson 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. ***Case Balance Review:*** The Monthly Case Balance Report and the Overdue Case Balance Report were not reviewed, with corrective action taken when necessary, to resolve any issues noted therein.
3. ***Change Drawer Fund:*** The County failed to include the change drawer funds in the County’s budget message.

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.

DAWSON 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 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 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 may not be 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 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: As the Clerk Magistrate I have access to all phases of transactions from beginning to end. Myself and another individual are the only two who can adjust receipts and write/void checks. When she is out for vacation, sick, or assisting another person I need to be able to make those adjustments. As for taking cash or checks (the beginning of the transaction process), I am just a backup and rarely take any monetary funds except when we are short staffed or have an emergency that needs to be dealt with only by the Clerk Magistrate. I will speak with the Court Administrator's Office if my monetary privileges need to change so that I do not have access to all phases of financial transactions.

2. Case Balance Review

Good internal control requires the County Court to have procedures for an ongoing, detailed review of monthly financial reports, including the Monthly Case Balance Report and the Overdue Case Balance Report.

During our review, the following was noted:

- One civil case tested, with an overdue balance of \$84, was not cleared timely. The case was settled on February 13, 2019; however, \$83 of the balance owed was not removed until May 28, 2019, after the auditor brought it to the County Court's attention.
- One criminal case, with an overdue balance of \$51, was also not cleared timely. The County Court received notice on March 8, 2019, that the balance had been satisfied; however, the amount was not cleared until May 24, 2019, after the auditor brought it to the attention of the County Court.
- One criminal case, with an overdue balance of \$1, was not pursued timely. A charge occurred on August 3, 2018, but there has been no action taken to address the fees owed.

DAWSON COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Case Balance Review (Concluded)

- One criminal case, with an overdue balance of \$3, was also not pursued timely. The defendant was notified of the outstanding balance due on June 30, 2018, but there has been no activity since that date.
- One traffic case, with an overdue balance of \$49, was also not pursued timely. There was no activity on the case from October 20, 2016, through August 15, 2017, when the defendant was notified of the balance due. No further action has been taken by the County Court since that date.
- In one criminal case, a \$771 balance held did not appear proper at December 31, 2017. The County Court coded 28 restitution payments to Unclaimed Property without any documentation that attempts had been made to contact the plaintiff for a valid address.
- In one criminal case, a \$77 balance held did not appear proper at December 31, 2017. On August 10, 2017, the County Court voided a restitution payment from October 8, 2014, that was sent to the plaintiff. The County Court was unable to provide documentation that an attempt was made to notify the defendant of the outstanding check; furthermore, the defendant successfully cashed the remainder of the restitution payments sent after that voided check.
- In one criminal case, a \$370 balance held did not appear proper at December 31, 2018. The amount was to be refunded on November 20, 2018; however, it was not refunded until April 29, 2019.
- In one criminal case, a \$25 balance held did not appear proper at December 31, 2018. The County Court did not record the partial payment received to costs due until April 8, 2019.

Without procedures for the review of monthly financial reports, including the Monthly Case Balance Report and the Overdue Case Balance Report, there is an increased risk of errors, omissions, and/or irregularities not being detected and resolved in a timely manner.

We recommend the County Court implement procedures for an ongoing, detailed review of all monthly financial reports, including the Monthly Case Balance Report and the Overdue Case Balance Report, and resolve any problems noted in a complete, accurate, and timely manner.

Clerk Magistrate's Response: The Monthly Case Balance Report and the Overdue Case Balance Report are reviewed but not as timely as they should be. Going forward Court Staff and myself will implement procedures to address these concerns and prevent future oversights of this nature.

3. Change Drawer Fund

Neb. Rev. Stat. § 23-106(2) (Reissue 2012) authorizes the County Board to establish petty cash funds, as follows:

The county board shall have the authority to establish a petty cash fund for such county for the purpose of making payments for subsidiary general operational expenditures and purchases. Such county board shall set, by resolution of the board, the amount of money to be carried in such petty cash fund and the dollar limit of an expenditure from such fund and such amount shall be stated in the fiscal policy of the county board budget message.

DAWSON COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

3. Change Drawer Fund (Concluded)

Nebraska Supreme Court Rules § 6-1458 (“Petty cash funds”) (amended February 18, 2016) states the following:

Whenever the need exists, a clerk magistrate, with the concurrence of the county judges of his or her district, may establish and maintain a petty cash fund. The fund shall be used only in the event of business-related circumstances which require the item or expense to be purchased and paid for immediately in cash. The creation of the fund is contingent upon approval of the State Court Administrator or designee and budget approval by the local county board as defined under Neb. Rev. Stat. § 23-106.

The County Court has four drawer funds, totaling \$200, which are used to make change. These funds were not disclosed in the County’s Board’s budget message during the period tested.

Without such disclosure, there is noncompliance with State statute.

We recommend the County Court take steps to ensure that its drawer funds are properly stated in the County Board’s budget message.

Clerk Magistrate’s Response: This year in February 2019 we added an additional cash drawer to our current set of four \$50.00 drawers. When I was working with the County to set up this drawer it was noted that the County never had these drawers previously listed on the County Board’s budget message. This has been corrected and the County now lists that the Dawson County Court has \$250.00 for 5 drawers (\$50.00 per drawer) listed on the County Board’s budget message.



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DAWSON COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

Dawson County Court
Lexington, Nebraska 68850

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Dawson County Court as of and for the calendar years ending December 31, 2017, and December 31, 2018. 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 calendar years ending December 31, 2017, and December 31, 2018, 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 all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Schedules of Changes in Assets and Liabilities Arising from Cash Transactions; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the subject matter or an assertion about the subject matter of the examination engagement. We are also required to obtain and report the views of management concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. 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, is described in the Comments Section of the report.

The purpose of this report is to express an opinion on the Schedules of Changes in Assets and Liabilities Arising from Cash Transactions, as described in paragraph one above. Accordingly, this report is not suitable for any other purpose. This report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink, appearing to read "C. J. Janssen", with a long horizontal flourish extending to the right.

June 24, 2019

Charlie Janssen
Auditor of Public Accounts
Lincoln, Nebraska

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

For the Calendar Year Ended December 31, 2018

	<u>Balance</u>			<u>Balance</u>
	<u>January 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2018</u>
ASSETS				
Cash and Deposits	\$ 253,749	\$ 1,335,340	\$ 1,331,409	\$ 257,680
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 15,371	\$ 155,723	\$ 158,774	\$ 12,320
Law Enforcement Fees	1,775	14,754	15,665	864
State Judges Retirement Fund	8,198	72,103	75,843	4,458
Court Administrative Fees	10,844	95,734	100,335	6,243
Legal Services Fees	6,874	58,837	62,106	3,605
Due to County Treasurer:				
Regular Fines	33,158	345,156	354,779	23,535
Overload Fines	300	5,114	5,314	100
Regular Fees	1,570	27,567	28,657	480
Petty Cash Fund	200	-	-	200
Due to Municipalities:				
Regular Fines	800	4,687	5,300	187
Regular Fees	694	4,323	4,331	686
Trust Fund Payable	173,965	551,342	520,305	205,002
Total Liabilities	<u>\$ 253,749</u>	<u>\$ 1,335,340</u>	<u>\$ 1,331,409</u>	<u>\$ 257,680</u>

The accompanying notes are an integral part of the schedule.

DAWSON COUNTY COURT
LEXINGTON, 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	\$ 253,848	\$ 1,353,889	\$ 1,353,988	\$ 253,749
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 13,821	\$ 171,334	\$ 169,784	\$ 15,371
Law Enforcement Fees	1,654	18,219	18,098	1,775
State Judges Retirement Fund	6,953	77,687	76,442	8,198
Court Administrative Fees	8,920	109,795	107,871	10,844
Legal Services Fees	6,207	70,128	69,461	6,874
Due to County Treasurer:				
Regular Fines	23,813	386,751	377,406	33,158
Overload Fines	50	13,008	12,758	300
Regular Fees	5,032	25,198	28,660	1,570
Petty Cash Fund	200	-	-	200
Due to Municipalities:				
Regular Fines	325	5,007	4,532	800
Regular Fees	-	4,124	3,430	694
Trust Fund Payable	186,873	472,638	485,546	173,965
Total Liabilities	\$ 253,848	\$ 1,353,889	\$ 1,353,988	\$ 253,749

The accompanying notes are an integral part of the schedule.

DAWSON COUNTY COURT
NOTES TO FINANCIAL SCHEDULES

For the Calendar Years Ending December 31, 2017, and December 31, 2018

1. Criteria

A. Reporting Entity

The Dawson 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 Dawson 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 or collected. 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 2018) to be secured either by a surety bond or as provided in the Public Funds Deposit Security Act.