

**ATTESTATION REPORT
OF
PHELPS COUNTY COURT**

JANUARY 1, 2017, THROUGH DECEMBER 31, 2018

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Issued on April 24, 2019

PHELPS COUNTY COURT

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PHELPS COUNTY COURT

COMMENT AND RECOMMENDATION

During our examination of the Phelps County Court, we noted a certain deficiency and other operational matters that are presented here. The following comment is required to be reported in accordance with *Government Auditing Standards* and is considered to be a material weakness.

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 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, as 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.

Additionally, the following errors were noted:

- Access to the judge's signature stamp is not limited to the individual whose name is on the stamp.
- Garnishment checks are not always entered into the system as they are received. If a garnishment order is not located, the check will be held unreceipted until such order is entered or until the Court determines the check should be returned to the payee.

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: First, regarding the Judge's signature stamp. The Judge authorizes the use of his stamp "upon direct instruction from Judge for one time use". The Judge's signature stamp is in his office and is used only at his request. Since 2016, I have only been instructed to use it one time.

Second, regarding the garnishments checks received without an order to deliver to the Plaintiff in a civil case. Upon discussion with the auditor, we have now started posting the checks but not forwarding them on until we received the signed order of continuing lien. We send correspondence through the JUSTICE system email informing the Plaintiff that we have funds and need a continuing lien in order to forward the funds to them. The checks are kept in a secure drawer and JUSTICE is checked daily, to see if the continuing lien has been filed.

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.

PHELPS COUNTY COURT

COMMENT AND RECOMMENDATION

(Concluded)

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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PHELPS COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

Phelps County Court
Holdrege, Nebraska 68949

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Phelps 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, 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 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 Schedule 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 Comment Section of the report.

The purpose of this report is to express an opinion on the Schedule 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. Janssen", with a long horizontal flourish extending to the right.

April 12, 2019

Charlie Janssen
Auditor of Public Accounts
Lincoln, Nebraska

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

For the Calendar Year Ended December 31, 2018

	Balance January 1, 2018	Additions	Deductions	Balance December 31, 2018
ASSETS				
Cash and Deposits	\$ 30,117	\$ 297,132	\$ 294,813	\$ 32,436
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 4,407	\$ 39,884	\$ 41,803	\$ 2,488
Law Enforcement Fees	281	3,234	3,287	228
State Judges Retirement Fund	1,599	17,437	17,769	1,267
Court Administrative Fees	1,949	18,679	19,448	1,180
Legal Services Fees	1,124	13,447	13,552	1,019
Due to County Treasurer:				
Regular Fines	6,153	92,204	91,737	6,620
Overload Fines	325	525	850	-
Regular Fees	66	8,802	3,079	5,789
Petty Cash Fund	200	-	-	200
Due to Municipalities:				
Regular Fines	116	1,781	1,822	75
Regular Fees	50	1,150	1,100	100
Trust Fund Payable	13,847	99,989	100,366	13,470
Total Liabilities	\$ 30,117	\$ 297,132	\$ 294,813	\$ 32,436

The accompanying notes are an integral part of the schedule.

PHELPS COUNTY COURT
HOLDREGE, 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	\$ 36,325	\$ 315,759	\$ 321,967	\$ 30,117
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 3,965	\$ 37,958	\$ 37,516	\$ 4,407
Law Enforcement Fees	354	3,745	3,818	281
State Judges Retirement Fund	1,670	17,041	17,112	1,599
Court Administrative Fees	2,332	21,239	21,622	1,949
Legal Services Fees	1,311	14,666	14,853	1,124
Due to County Treasurer:				
Regular Fines	6,176	94,198	94,221	6,153
Overload Fines	50	17,527	17,252	325
Regular Fees	98	4,502	4,534	66
Petty Cash Fund	200	-	-	200
Due to Municipalities:				
Regular Fines	48	1,244	1,176	116
Regular Fees	50	400	400	50
Trust Fund Payable	20,071	103,239	109,463	13,847
Total Liabilities	\$ 36,325	\$ 315,759	\$ 321,967	\$ 30,117

The accompanying notes are an integral part of the schedule.

PHELPS COUNTY COURT
NOTES TO FINANCIAL SCHEDULES

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

1. Criteria

A. Reporting Entity

The Phelps 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 Phelps 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.