

**ATTESTATION REPORT
OF
WAYNE COUNTY COURT**

JANUARY 1, 2017, THROUGH DECEMBER 31, 2018

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Issued on June 12, 2019

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. ***Trust Balances:*** The County Court did not refund three overpayments, totaling \$472, in a timely fashion, and one receipt for \$74 was not applied to the case timely.

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 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.

Additionally, the following errors were noted:

- One of 10 checks tested was not paid timely. Judgment principal of \$150 was received on July 13, 2017, and payable to the County Treasurer. The County Court did not remit the funds until November 2, 2017, some 112 days after receipt.
- One of three overdue case balances tested did not have subsequent action taken by the County Court to ensure collection and/or resolution of the balance. The judge's order in April 2017 required \$165 to be paid by the defendant for probation fees through a civil judgment. The civil case had not yet been established, and the County Court had not attempted to collect the fees or follow up with the probation office regarding the civil case filing.
- The County Court waived a \$10 fee for one case tested; however, the fee should have been paid by the guardians, as there was no court order for the waiver.

If the County Court had an adequate segregation of duties, the errors noted might have been discovered in a timely manner, or even avoided altogether.

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: 1) The court has no control of this due to budget and restrictions, this court is a single person court. 2) In reference to the 165.00 these were probation fees from a defendant, and probation was revoked and defendant was ordered to pay the outstanding fees, there is an order in the case reflecting those fees. If the county attorney or Probation office wanted to file a separate collection matter, the order was there do to so. 3) The 10.00 waived fee had a receipt number that reflected the non-monetary waive and another one replacing the receipt. 4) the judgment principal was fees to be paid to an attorney, I thought it would show to pay out on month end reports but did not. When I discovered it, I issued the check.

WAYNE COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

2. Trust Balances

Good internal control procedures and sound business practices require trust balances of the County Court to be reviewed on an ongoing and 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 testing of five trust balances from the December 2018 Monthly Case Balance Report and two receipts from the December 2018 Report of Non-Case Receipts, we noted the following:

- Two overpayments were received by the County Court in September 2016 and March 2018, for \$48 and \$250, respectively. The County Court had not attempted to refund the overpayments as of May 2019.
- One receipt for \$174, received in October 2018, was not refunded timely. A payment was received for a citation that was not filed by the County Attorney; therefore, the monies were due back to the individual. The refund was not made until May 13, 2019, after the attestation examination began.
- One payment for \$74 was received in February 2017. The case was filed in March 2017, but the payment was not applied to the case until January 2019. It is unknown why the receipt was not applied timely.

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.

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

Clerk Magistrate's Response: An overpayment of 48.00 were costs paid online, for 1 of the 3 counts on the case. The case has an active warrant in the case, due to FTA status. This person resides out of state. The 250.00 was a Revocation of Probation and case was closed in late December. This should have been earlier. The court had a few other receipts that were not timely, per auditors. Court will rectify this. This Court will make it a priority to review the Bonds Held Report, the Holding Report and the Case Balance Report. The Overpayment Report and the Non-Case receipts index on a monthly basis, and make all necessary adjustment in a timely manner to alleviate future findings.



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WAYNE COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

Wayne County Court
Wayne, Nebraska 68787

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 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 11, 2019

Charlie Janssen
Auditor of Public Accounts
Lincoln, Nebraska

WAYNE COUNTY COURT
WAYNE, 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	\$ 22,343	\$ 237,123	\$ 232,880	\$ 26,586
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,630	\$ 30,584	\$ 30,562	\$ 1,652
Law Enforcement Fees	204	2,827	2,790	241
State Judges Retirement Fund	964	13,251	13,151	1,064
Court Administrative Fees	814	20,938	20,643	1,109
Legal Services Fees	832	10,602	10,528	906
Due to County Treasurer:				
Regular Fines	4,407	82,599	79,851	7,155
Overload Fines	300	1,425	775	950
Regular Fees	37	1,498	1,500	35
Petty Cash Fund	150	-	-	150
Due to Municipalities:				
Regular Fines	-	420	420	-
Regular Fees	-	1,149	1,149	-
Trust Fund Payable	13,005	71,830	71,511	13,324
Total Liabilities	\$ 22,343	\$ 237,123	\$ 232,880	\$ 26,586

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 Calendar Year Ended December 31, 2017

	Balance January 1, 2017	Additions	Deductions	Balance December 31, 2017
ASSETS				
Cash and Deposits	\$ 33,108	\$ 217,772	\$ 228,537	\$ 22,343
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 2,261	\$ 30,396	\$ 31,027	\$ 1,630
Law Enforcement Fees	201	3,205	3,202	204
State Judges Retirement Fund	723	13,179	12,938	964
Court Administrative Fees	803	21,973	21,962	814
Legal Services Fees	728	11,822	11,718	832
Due to County Treasurer:				
Regular Fines	5,767	95,912	97,272	4,407
Overload Fines	400	800	900	300
Regular Fees	102	2,847	2,912	37
Petty Cash Fund	150	-	-	150
Due to Municipalities:				
Regular Fines	1,000	1,690	2,690	-
Regular Fees	45	1,292	1,337	-
Trust Fund Payable	20,928	34,656	42,579	13,005
Total Liabilities	\$ 33,108	\$ 217,772	\$ 228,537	\$ 22,343

The accompanying notes are an integral part of the schedule.

WAYNE COUNTY COURT
NOTES TO FINANCIAL SCHEDULES

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

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 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.