

**ATTESTATION REPORT
OF
PHELPS COUNTY COURT**

JANUARY 1, 2019, THROUGH DECEMBER 31, 2020

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Issued on April 23, 2021

PHELPS COUNTY COURT

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PHELPS COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Phelps 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 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. The County Court declined to respond.

PHELPS 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:

- The County Court did not adequately review claims showing a balance remaining to be collected from the County or City in the accounting system. Specifically, we noted six claims, totaling \$1,198, with date ranges from March 5, 2019, to September 27, 2019, that still showed a balance remaining to be collected as of audit fieldwork in March 2021.
- During testing of overdue case balances, we noted one case where a balance of \$75 was due, but no documented follow up to collect the balance had occurred since January 26, 2018.

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. We also recommend the County Court establish procedures to review the Court Claim List and ensure that amounts noted as owed are followed up on and resolved in a timely manner. Additionally, we recommend the County Court establish procedures to review the Overdue Case Account Report and ensure any balances are followed up on in a timely manner.

2. Trust Balances

During the Auditor of Public Accounts' (APA) review of a sample of 12 of the County Court's trust balances at December 31, 2019, totaling \$5,863, we noted an error with one of those balances. The case had a balance of \$21.25 created by a receipt on January 12, 2019, but was not remitted to the County Treasurer until February 3, 2020.

Additionally, during the APA's review of a sample of 10 of the County Court's trust balances at December 31, 2020, totaling \$7,233, we noted errors on three of those balances. Details of those errors are summarized below:

- On July 9, 2020, \$73 was received for fees and fines owed, including \$17 of fees paid previously by the County. This created a \$17 balance on the case, which was not remitted to the County until February 1, 2021.
- On July 1, 2020, an overpayment by the defendant on a traffic case created a \$25 balance that was not returned to the defendant until January 21, 2021.
- On August 28, 2020, an overpayment by the defendant on a traffic case created a \$51 balance that was not returned to the defendant until January 21, 2021.

PHELPS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

2. Trust Balances (Concluded)

Good internal control and sound business practice requires procedures to ensure that trust balances of the County Court are reviewed on an ongoing, timely basis to determine what action, if any, should be taken to resolve those balances. Those procedures should include reviewing the trust balances reflected on the County Court's monthly financial reports, including the Monthly Case Balance Report.

We recommend the County Court implement procedures to ensure the ongoing, timely monitoring of its trust balances, including those reflected on the County Court's monthly financial reports, such as the Monthly Case Balance Report, in order to determine what action, if any, should be taken to resolve the balance.



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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, 2019, and December 31, 2020. 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, 2019, and December 31, 2020, 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 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 Comments 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. J. Janssen", with a long horizontal flourish extending to the right.

April 16, 2021

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, 2020

	Balance January 1, 2020	Additions	Deductions	Balance December 31, 2020
ASSETS				
Cash and Deposits	\$ 36,228	\$ 339,212	\$ 336,003	\$ 39,437
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 3,683	\$ 39,673	\$ 40,199	\$ 3,157
Law Enforcement Fees	261	2,709	2,755	215
State Judges Retirement Fund	1,603	17,639	17,835	1,407
Court Administrative Fees	1,467	17,895	18,060	1,302
Legal Services Fees	1,252	13,431	13,645	1,038
Due to County Treasurer:				
Regular Fines	7,234	65,846	66,321	6,759
Overload Fines	1,250	325	1,575	-
Regular Fees	125	3,205	3,326	4
Petty Cash Fund	200	-	-	200
Municipality Fines	-	585	585	-
Due to Municipalities:				
Regular Fees	100	605	705	-
Trust Fund Payable	19,053	177,299	170,997	25,355
Total Liabilities	\$ 36,228	\$ 339,212	\$ 336,003	\$ 39,437

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, 2019

	Balance January 1, 2019	Additions	Deductions	Balance December 31, 2019
ASSETS				
Cash and Deposits	\$ 32,436	\$ 275,893	\$ 272,101	\$ 36,228
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 2,488	\$ 35,577	\$ 34,382	\$ 3,683
Law Enforcement Fees	228	2,864	2,831	261
State Judges Retirement Fund	1,267	16,046	15,710	1,603
Court Administrative Fees	1,180	17,812	17,525	1,467
Legal Services Fees	1,019	12,773	12,540	1,252
Due to County Treasurer:				
Regular Fines	6,620	70,943	70,329	7,234
Overload Fines	-	8,425	7,175	1,250
Regular Fees	5,789	1,822	7,486	125
Petty Cash Fund	200	-	-	200
Municipality Fines	75	1,285	1,360	-
Due to Municipalities:				
Regular Fees	100	1,000	1,000	100
Trust Fund Payable	13,470	107,346	101,763	19,053
Total Liabilities	\$ 32,436	\$ 275,893	\$ 272,101	\$ 36,228

The accompanying notes are an integral part of the schedule.

PHELPS COUNTY COURT
NOTES TO FINANCIAL SCHEDULES

For the Calendar Years Ending December 31, 2019, and December 31, 2020

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.