

**ATTESTATION REPORT
OF
JEFFERSON COUNTY COURT
JULY 1, 2011 THROUGH JUNE 30, 2013**

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Issued on September 4, 2013

JEFFERSON COUNTY COURT

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JEFFERSON COUNTY COURT

COMMENT AND RECOMMENDATION

During our examination of Jefferson County Court, we noted a certain deficiency and other operational matters that is presented here.

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 provide reliable financial records. A system of internal control should include proper segregation of duties, so no one individual is capable of handling all phases of a transaction from beginning to end.

We noted the office of the County Court had a lack of 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 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 noted this comment in previous examinations. We consider this to be a material weakness.

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.

County Court's Response: In September 2012, Ms. Haeffner, you presented a session to the clerk magistrates at our Education meeting on Finance & Audit Issues. After that meeting, I returned to our court and implemented some changes on how we handled financial duties. Some of those changes include the following:

- 1. When a receipt or check is voided, it is reviewed by a second staff person and dated and initialed by both employees, the voided receipt is stapled to the daily financial report with an explanation of why it was voided. The voided check is stapled to the stub in the checkbook. If a receipt or check is reissued, the second staff person is the issuer of the corrected one.*
- 2. If one individual balances the cash drawer, the other employee takes the deposit to the bank. We switch these duties on a daily basis. When there is only one (1) person in the office and that person has balanced the drawer and taken the deposit to the bank, the bank teller is initialing the deposit slip acknowledging that the amount of cash/checks received is correct. This practice of the bank teller initialing the deposit slip takes place on a daily basis. In my notes from your presentation you stated that this is "segregation of duties" you also stated that it doesn't have to be everyday, that once a month is "segregation of duties".*

JEFFERSON COUNTY COURT

COMMENT AND RECOMMENDATION

(Continued)

3. *Reports are being reviewed and monitored for non monetary, jail and garnishment receipts on INQCTRD as requested by you at the meeting.*

Above are business practices that we have put into effect per your suggestions. At the time of our audit, I discussed these changes with your staff and voiced my concern that we were not given consideration on this deficiency. The response that I received was that this audit was covering a two (2) year period and the changes were not made until the second year. I was also told that Jefferson County Court would always be written up for "lack of segregation of duties" because of our staffing. We are currently staffed at 1.5.

In closing, I understand that it is good business practices to have segregation of duties and I have no objection to being held to a higher standard. My objection is that this report does not reflect changes that have been put in place that were suggested by you representing the State Auditor's Office. We will continue to use the "check and cross check" system that you presented as examples during our meeting. While these practices take some time and effort, it certainly is worthwhile to continue them. We will utilize our time management and organization skills to accomplish this, even though we have been told that due to staffing these practices will do nothing to remove this deficiency from any future audits.

APA Response: We appreciate the procedures the County Court has established and agree good business practices should always be encouraged and implemented. Because the County Court only has one full time employee and a part time employee, complete segregation of duties of all financial functions does not seem attainable. The County Court may have implemented segregation of duties over some financial functions, but other functions do not have segregation of duties. For example, one employee has access to and may perform all procedures related to a particular case, including entering the citation order into the system, receipting the money, adjusting the case balances, and writing and signing checks disbursing case balances. Since these functions cannot be segregated with only one full time employee, complete segregation of duties does not appear obtainable.

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.

Draft copies of this report were furnished to the County Court to provide them 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 will be verified in the next examination.



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JEFFERSON COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of Jefferson County Court as of and for the fiscal years ended June 30, 2013, and June 30, 2012. The County Court's management is responsible for the Schedules. Our responsibility is to express an opinion 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 and, accordingly, included examining, on a test basis, evidence supporting the amounts and disclosures in the Schedules and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the Schedules referred to above present, in all material respects, the assets and liabilities arising from cash transactions of the Agency Funds of Jefferson County Court as of June 30, 2013, and June 30, 2012, and the related activity for the fiscal years then ended, based on the accounting system and procedures prescribed by the Nebraska Supreme Court as described in Note 1.

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, and abuse that are 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 the 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 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.

SIGNED ORIGINAL ON FILE

August 6, 2013

Deann Haeffner, CPA
Assistant Deputy Auditor

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

For the Fiscal Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
ASSETS				
Cash and Deposits	\$ 18,286	\$ 202,197	\$ 193,309	\$ 27,174
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 2,083	\$ 34,322	\$ 34,006	\$ 2,399
Law Enforcement Fees	168	2,866	2,754	280
State Judges Retirement Fund	706	10,414	10,230	890
Court Administrative Fees	938	17,699	16,993	1,644
Legal Services Fees	700	10,607	10,352	955
Due to County Treasurer:				
Regular Fines	3,182	54,108	51,747	5,543
Overload Fines	775	3,860	4,210	425
Regular Fees	44	4,182	4,099	127
Petty Cash Fund	50	-	-	50
Due to Municipalities:				
Regular Fines	382	1,998	2,380	-
Regular Fees	11	86	97	-
Trust Fund Payable	9,247	62,055	56,441	14,861
Total Liabilities	\$ 18,286	\$ 202,197	\$ 193,309	\$ 27,174

The accompanying notes are an integral part of the schedule.

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

For the Fiscal Year Ended June 30, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
ASSETS				
Cash and Deposits	\$ 21,013	\$ 222,425	\$ 225,152	\$ 18,286
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 3,421	\$ 36,471	\$ 37,809	\$ 2,083
Law Enforcement Fees	455	2,605	2,892	168
State Judges Retirement Fund	1,701	9,261	10,256	706
Court Administrative Fees	2,250	15,210	16,522	938
Legal Services Fees	1,479	9,494	10,273	700
Due to County Treasurer:				
Regular Fines	3,092	48,425	48,335	3,182
Overload Fines	-	4,425	3,650	775
Regular Fees	133	2,705	2,794	44
Petty Cash Fund	-	50	-	50
Due to Municipalities:				
Regular Fines	498	2,878	2,994	382
Regular Fees	-	11	-	11
Trust Fund Payable	7,984	90,890	89,627	9,247
Total Liabilities	\$ 21,013	\$ 222,425	\$ 225,152	\$ 18,286

The accompanying notes are an integral part of the schedule.

JEFFERSON COUNTY COURT
NOTES TO FINANCIAL SCHEDULES
For the Fiscal Years Ended June 30, 2013, and June 30, 2012

1. Criteria

A. Reporting Entity

The Jefferson 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 Jefferson 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 2012). 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.